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THE CHINESE MONOLITH: PAST AND PRESENT

By Arthur F. Wright

The term "monolith," in its contemporary political sense, can be defined as a system in which culture, state, and society are one and indivisible, fused together by common values in all group and individual behavior, enshrined without exception in all institutions. In this writer's view such monolithic unity was characteristic of traditional China, as it is of Communist China today. There are vital differences in the way it has manifested itself in the two societies; at the same time, the resemblances suggest the ways in which the traditional society established certain predicates for the contemporary, the ways in which the residue of the old order did not raise barriers to the Communists but rather facilitated their seizure and consolidation of power in 1949.

The marvelous symmetry of the Chinese traditional order appealed to men of the European Enlightenment. They liked to conceive of that rich and peaceful empire as a land where philosophers were kings, where the values of Rational Man prevailed in state and culture. But in viewing this distant land, the European philosophers were under two handicaps. One was their preoccupation with the controversial issues of their own society. The other was their blindness—partly wilful and partly the result of the limitations of eighteenth century scholarship—to the fact that great orders are neither established nor held together by ideas alone, that philosophers, however noble and enlightened, could cling to power only through the use of force. And the very symmetry of the Chinese order, which from the outside was esthetically satisfying and

intellectually appealing, did not flash its warning—as it does to twentieth century man—that symmetry has its price, that force and coercion had molded this pleasing shape out of the raw material of countless human lives. However one may judge it or its human cost, the traditional order was, in the sense suggested, monolithic, and so is the Chinese Communist order. The present paper intends to examine some of the ways in which they resemble one another and the more important ways in which they differ.

The Community of Values and Institutions

It has been observed that Chinese society, like many of the simpler societies, was characterized by a broad accord between institutions and mores, by the reaffirmation of a single set of values in every aspect of life. Let us take a single value and observe some of the ways in which it pervaded the whole society. "Harmony" (ho), or the balancing of opposites, was, as Bodde has brilliantly demonstrated, one of the dominating preoccupations of Chinese philosophers. Their search was for a harmonious society, patterned after and responsive to a cosmos which manifested a perfect harmony of forces in perpetual balanced motion. And inner harmony—adjustment to society and nature—was the goal of all self-cultivation.

Harmony was not solely the preoccupation of philosophers. It was the conscious goal of statesmen who, in China, were concerned with all aspects

of social as well as political life. It was an invariable theme of moralists, of conservatives and reformers alike. Words denoting harmony were (and still are) among the most frequent in all manner of Chinese proper names; in place names, in personal names, in studio names, in book titles, in era names, and on the scrolls which adorned the home this symbol was ceaselessly reiterated. The Emperor, who functioned as the pivot of the Chinese universe, had as his ultimate obligation the maintenance of sociocosmic harmony. Through ritual-symbolic acts he sought to assure the beneficent working of the powers of the natural world; socially, he led his people through exhortation and example and through the coercive power of laws to conform to ancient hierarchical social norms, so that each would know his place and his duty, performing in harmony with all other individual components of Chinese society.

If such a community of values and institutions was characteristic of the traditional order, its erosion was typical of the period of Western penetration. From 1840 on, Western commerce, technology and military power increasingly undermined the economic and political institutions of the Chinese imperial order; concurrently Western thought challenged the ideas and values which had provided the rationale of the traditional order. This impact from the West evoked a variety of Chinese responses, many of which can be viewed as efforts to regain something of the old community of values and institutions.

In this respect the Communists—though acting on different premises and using new techniques—have evoked the ghost of the ancient ideal. Indeed, Mao Tse-tung holds out to his people the ultimate goal of a *Ta-tung ching-yu*—which meant for older China the ideal of a frictionless social order, for Mao (using the same term) a universal Communist order. How the community of values and institutions is promoted in Communist China can be seen by again examining a single value and its inculcation throughout the Communist order.

The value of struggle (*tou-cheng*) is illustrative. It is not only all-pervasive but its inculcation is meant to subvert and destroy the older value of harmony discussed above and to give to all Chinese a new standard of judgment and behavior. It should be emphasized that this "struggle" does not imply competition such as one finds in pluralistic societies, nor does it seek to release individual energies and initiative to struggle towards self-chosen goals. Rather it is dynamic activity channeled according to prescribed rules, and directed within the prescribed limits toward goals ordained by the party. If the old ideal of harmony meant adjustment-conformity, the new ideal of struggle may be described as enforced conformity in advancing the "dialectical process."

At the theoretical and intellectual levels, struggle is posited as the new motif—replacing har-

mony—in man's relation to nature. Struggle also replaces the older goal of harmony in the realm of personal cultivation and self-realization. Artists and writers are urged to develop themselves by taking part in the struggles of the masses and to practice "self-struggle." Inner cultivation is ideological cultivation.

The so-called "struggle meeting" is a device for the inculcation of the new Communist values and ideology. It is used throughout society in virtually all the new social groups the Communists have sponsored. It employs group pressure, emotional tension, and dramatic confessions to detect any slight deviation from orthodoxy or any slight decline in the will to struggle. It seeks to instil moral fervor, to effect a conversion so that the individual yearns to subordinate his will and his desires to party direction. In these meetings any manifestation in thought or conduct of the older Chinese value of harmony is condemned, and the need for struggle is ceaselessly reiterated.

According to Liu Shao-ch'i, the CCP's top theoretician, "Struggle is a kind of education and education is a kind of struggle"; thus the value of struggle is endlessly reiterated in school rooms and textbooks. In popular media of communication such as newspapers, comic books, radio, posters and even in the popular dance—rechristened the "struggle yang-ko"—this value is dinned into the eyes and ears and consciousness of the people.

Perhaps these parallel cases, briefly as they have been sketched, will suggest the ways in which the traditional and the Communist orders have been characterized by a community of values and institutions. The traditional order, however, was far less effective in imposing this community than the Communists are. Its arsenal of suasive and coercive devices was formidable, but in periods when particular dynasties were on the wane, new and competing values did develop, and when a strong power asserted itself, compromises with new values were made. Furthermore, the traditional order—though it prescribed, and exhorted, and coerced—did not reach every personal life in its vast empire, nor did it attempt directly to do so. It stressed changing the "tone" or atmosphere of local communities, so that the traditional values were dominant and brought prestige and recognition to those who manifested them; but it left subjects who did not conform to continue their lives outside the favored circle of those whose conformity brought palpable rewards. Merchants, for example, whose way of life was at odds with the traditional value structure, were not usually liquidated or forced to turn to more honorable agrarian pursuits. They were simply discriminated against, left out of the scale of rewards and recognition which the imperial regime ordained.

The Chinese Communists, on the other hand, do not propose to leave a single group or individual to his own devices. Merchants and "capitalists"

are forced to "change" their methods, to "reform their thinking," to contribute in specified ways to the new order and to pay homage to its every value. Individuals in all walks of life, from Moslem Akhuns to military officers, to aborigines and ordinary peasants, are forced to "rectify their thoughts" in order to bring their own values into line with those ordained by the leadership.

The Imposition of Orthodoxy

The Chinese elite and the dynasties it served regarded the imposition of an orthodoxy as both necessary and proper. Intellectual strife, like social disharmony, was abominated. Thus it was the usual practice for founders of new dynasties to convene royal commissions to fix the texts of the Classics and to establish standard interpretations for them. The Emperor often presided and sometimes decided moot points. The new authoritative interpretations were made the basis of education and prescribed as the norm for state examinations. Anyone who aspired to power schooled himself in the new orthodoxy and saw that it was taught to his sons. Similarly, the suppression of subversive books was considered a right and a duty by every strong dynasty.

The Communist government has also asserted its right to impose and propagate an orthodoxy and to prescribe what should and should not be read. The "classics" of Marxism-Leninism-Stalinism—and more important, the works of Mao Tse-tung—have appeared in new authorized Chinese editions. Everyone is daily exhorted to study the thought of Mao Tse-tung and to reform himself. No speech to party or populace is complete without such an exhortation. No confession is bona fide without credit to the reforming power of his words. The rhymed New Year's motto reads: "Spread the new culture and education; study the thought of Mao Tse-tung." Arabic translations have been made so that even the Chinese Akhuns, illiterate in their own language, can "reform their thoughts."

Similarly, the Communists do not hesitate to expurgate and suppress writings or works of art they deem harmful—or, in the case of their own pronouncements, no longer useful. Mao has "edited" his own works and deleted those passages and writings which "are of no theoretical interest." Kuo Mo-jo, Minister of Culture, in republishing his volume on China's past personalities, significantly deleted an essay on the great idealist-philosopher Wang Yang-ming (1472-1528). In the much publicized "case of Wu Hsun", the regime coupled its suppression of an "unorthodox" film with an intense drive for "ideological purity," which produced literally tons of self-criticism.

The minute attention to the enforcement of orthodoxy is indicated by the case of a technical work on linguistics published in 1951. The author had explicitly made use of the valuable field notes of a French missionary, published in 1909. When

this was discovered, the publisher withdrew the book for "correction." The author, the director of the Language Institute, and the president of the Academy (who was also a Vice President of the People's Republic) all published confessions of their fault in using a work by a foreign missionary.

Thus there is a marked resemblance between the traditional and the Communist attitudes toward the imposition of orthodoxy. Offsetting the similarities, however, are two striking differences. First, while the traditional order put stress on orthodoxy, there were always some among the educated who, within the world of literati-officialdom, openly challenged existing interpretations, who saw in the Classics other meanings than those ordained at the capital. These men were not subverting the basic values of the Confucian order, but they were dissenters within the large and ever shifting scope of traditional theory. The Communists, however, allow no dissent, even among those whose devotion to basic Communist principles is unquestioned.

Secondly, the traditional imposition of orthodoxy, unaided by modern techniques and totalitarian controls, left a large area for the permissive. The difference is symbolized in the use to which the age-old Chinese custom of New Year's mottoes has been put. While some of the traditional mottoes contained reminders of the orthodox values, most expressed simple wishes for good health, long life, riches, and spiritual felicity. The Communists have preempted the mottoes as a propaganda medium, and their exhortations invade every realm of value, leaving nothing to private or individual choice.

Conformity

Conformity is the behavioral corollary of orthodoxy in thought. The old order used a variety of devices to induce conformity, only a few of which can be mentioned here. The value of *hsiao*, usually rendered "filial piety," in practice meant obedience, docility, and absolute submission to superior authority—i.e., to the state, to the dynasty, to one's official superiors, to the potestas of one's father and one's elders. This virtue was extolled in literature, dramatized in art. It was relentlessly imposed on the young through pious tales, memorization of such works as the Classic of Filial Piety (*Hsiao-ching*), ritual acts of submission, and demonstrations of respect for elders. The government periodically sought out particularly submissive sons and gave them public rewards. Imperial banquets for the aged were a dramatic demonstration of the prestige of the old, of the subordination of the young. Official histories contained special biographical collections of the notably filial and of women who had been strikingly loyal and submissive. These devices and many more sought to persuade, to educate the populace in conformity. From their repeated use over 2,000 years, one may assume that Chinese statesmen found them effective. But coercive devices supplemented suasion. The "ten

heinous crimes" found in all Chinese law codes from 583 A.D. to 1911 were all crimes of disobedience to authority, insubordination or failure to conform, and the prescribed penalties were of appalling severity. The Classic of Filial Piety, memorized by Chinese youth for two millenia, summed up the sanctions embodied in the laws: "Of the 3,000 crimes punishable by the five punishments, none is greater than unfiliality" (i.e., failure to submit to authority).

Chinese communism also demands conformity. Intellectual compliance is relentlessly promoted through the "struggle meeting," sessions of criticism and self-criticism, the dramatizing of cases of deviation, and the publication of confessions of those who erred and then reformed. All are exhorted to "study" (hsueh-hsi) and to "reform their thoughts" (kai-tsao ssu-hsiang). The rewards which society and the state offer go to those whose devotion to the orthodoxy is most fervent. As the District Magistrates of Imperial China once feasted the aged and the filial—exemplary demonstrations of the rewards for conformity—the People's Government and the Communist Party now do public honor to the "heroes of production," the "heroes of education," etc., dramatizing in every corner of the land the fact that honor comes to those who successfully conform to the patterns of behavior ordained by the party.

The Communist government has adapted to its purpose many of the traditional devices for inducing conformity at the lowest social level. Some examples are worth discussing. The rulers of imperial China were concerned about the songs the people sang as they worked, and royal commissions for the inspection and reform of mores would solemnly report on the tone of popular ditties and suggest measures for reform. Similarly, the People's Government distributes tens of thousands of cheaply printed collections of songs and folk dramas, all of which carry the same message; co-operate, conform and look to the party for leadership. Here is a verse from one of these collections entitled "A Children's Song": The northern pole star in the sky in China is Mao Tse-tung; Saving mankind, Loving little children; He'll destroy Chiang's dirty rats.

Another traditional device for indoctrination was the rhymed textbook of Chinese culture known as the San-tzu ching. Memorization of its encapsulations of Chinese values was the first step in everyone's education. The Communists have put this time-tested device to use in their campaign to mobilize the women of China, publishing a primer of female values for the New China called the Fu-nu san-tzu ching. Rhymed, easy to memorize, and adjusted to the low level of literacy of Chinese women, it hammers home the new values to which all should conform.

Yet if devices such as these suggest in their form and purpose resemblances to the old methods of inducing social conformity, the new techniques

surpass in insistence anything known in traditional China. All recent visitors comment on the incessant blare of loudspeakers, exhorting, cajoling, lecturing in shrill tones night and day. The wall newspapers and posters, the harangues of party cadres, the itinerant dancers and actors, all hammer home the same messages: study the thought of Mao Tse-tung, reform your thinking, work together, struggle, increase production, build a new society, build a new China.

The new order, like the old, supplements incentive and cajolery with force. There are multiple party and state organs to administer punishment, and labor camps to "reform" the thinking of recalcitrants through labor at state projects. There are also the people's courts, whether the pent-up resentments of individuals and groups can be utilized for the party's end. While under the old order torture was freely used to elicit confessions, the coercive methods of the new rulers are far more subtle and effective. A man who has been subjected to "re-education through forced labor" or sustained "brain washing" has become malleable to the will of the party in a sense unknown in traditional China.

Finally, though uniformity and conformity was the ideal of countless statesmen and officials of the past, the realm of the permissive was far wider than it now is. The age-old philosophy of Taoism with its stress on adjustment to nature and its exaltations of the natural man, fostered a tolerance of eccentrics and hermits, who were seen as conforming in their own way to nature's laws; it therefore functioned as a private philosophic antidote to the cult of social conformity.

Some Instruments of Social Control

In addition to propaganda and suasive techniques, both the old and new regimes set up institutions designed to control the Chinese population in town, village and countryside. It may be interesting to attempt a few comparisons of the two apparatuses of local control in their intent, their structure and their functioning.

The district Magistrates of Imperial China had general responsibility for the administration of their districts. But these officials, who numbered only 1,500 during the last dynasty, were obviously too few to exercise direct control over the population; though they had small detachments of troops at their disposal these were intended to suppress banditry and armed uprisings and were not used to police the countryside in ordinary times. Therefore the central government developed a complex of sub-administrative controls. Part of this complex was the mutual responsibility system known as pao-chia. Professor Kung-ch'uan Hsiao of University of Washington describes the system:

Disregarding natural groupings and natural boundaries, every 10 households were arranged into a p'ai, every 10 p'ai, into a chia, and every 10 chia into a pao. A "headman" for

each division was nominated from persons dwelling in the neighborhoods. His duties included the registration of persons living in, arriving at or departing from the neighborhoods, and making reports to the local yaman (administrative official) of offenses such as "theft, corrupt teaching, gambling, hiding and absconding from justice, kidnapping, coining, establishing a secret society, etc." At the end of each month the headman of the pao submitted to the local official a kan-chieh, "willing bond," giving assurance that everything had been well in the neighborhood. All inhabitants were expected to report offensive conduct or suspicious characters to the various headmen. Failure to comply with the regulations was punishable as crime. Villagers were, in short, compelled to be their own police, ostensibly for their own protection, but ultimately for the sake of imperial security.

In addition, the government set up a system of agents, locally recruited but supervised by central government officials. These agents were responsible for facilitating the collection of taxes and the recruitment of corvee labor from their neighbors. There were also numerous instruments for ideological control at the local level. For example, a functionary nominated locally and approved by the magistrate expounded the moral exhortations of the emperor to his neighbors on appointed days of each month. A system of community schools was staffed by instructors locally selected but subject to the supervision of the central educational authorities. Whether coercive, persuasive, or educational these institutional devices served as a cheap and effective system for channeling the thought and the aspirations of the populace into lines approved by the government.

Communist methods of local control also may be grouped conveniently into the coercive, the persuasive and the educational.

The cadre (kan-pu) is the principal instrument for the control and direction of the rural population. The Kwangtung provincial government set the ideal ratio of cadre to population as 1 to 1,000. The cadres, drawn nationwide from the youth and indoctrinated by the party, are charged with carrying out the party's program in the villages and countryside. Some are recruited locally and given a short course in ideology and tactics; then they return to function in the local government and in the peasant associations. Like the officials of the old pao-chia organization and the mutual surveillance system, the cadres act as the eyes, the ears, and the mouth of authority. They also have an economic role.

The cadres function in a vast number of organizations: street and neighborhood associations, professional and occupational groups, the peasant associations, and the public order defense committees in the cities. "Through these quasi-official organs, the Communists are able to break up the populace into controlled groups, multiply the agencies of surveillance and through them exert direct pressure on each individual." This machinery of local control and surveillance is far more elaborate than anything known in traditional China. It leaves far less—if anything—to the operation of individual

choice or the functioning of traditional mores. It invades the inner life of every individual. And though the cadres may be of local origin, they are far more committed than were the local officials of traditional China to specific programs of the central government.

The suasive or propaganda function is carried on by many groups. Mao Tse-tung, in answer to the question "What is a propagandist?", has said: Not only are teachers propagandists, journalists propagandists, writers and artists propagandists, all our work cadres are also propagandists.

The incessant use of multiple media in propaganda campaigns by innumerable official organs and semi-official groups saturates the countryside, leaving no individual of whatever age group or class outside the machinery of indoctrination. Compared to this, the reading of imperial maxims in the villages and the other traditional devices for inculcating orthodoxy seem mild and ineffectual.

Education, as Mao has indicated, is highly propagandistic and aims, as did the older education, at the inculcation of approved values and attitudes. These attitudes are instilled through a political course in all students above the primary level. Yet if both traditional and Communist education have sought to form the personality through the inculcation of accepted values and the teaching of a prescribed orthodoxy, one sharp contrast should be stressed: the older education taught obedience, acquiescence, while the new insists on a complete acceptance which translates itself into vigorous disciplined activity. The old teachers set the daily tasks, and the students, perhaps grumbly, got through them and perhaps had some time to themselves. In Communist China the student is expected to demonstrate his enthusiastic acceptance of what is taught; when he leaves the school, he is taken off into other party-dominated groups, where he is obliged to participate to the limit of his energies.

Summary

Conformity has been an ideal common to the monolith of both traditional and contemporary China; the methods and machinery of both orders—though vastly different in effectiveness—have been directed toward that ideal. Yet both orders have depended for the working of the machinery on bureaucrats; and the average bureaucrat's inclination to respond to private pressure or bribery, to procrastinate, to avoid trouble, to pass on responsibility for action to another, has probably saved innumerable Chinese from the harsh, state-decreed sanctions against nonconformity.

The imperial government used censors to check on bureaucratic morale and performance; the Communist regime—in addition to its party organs of control and discipline—has set up "Committees of People's Supervision" to perform similar functions. The imperial censors, however, had a second vital function, wherein lies one of the fundamental dif-

THE FOURTH YEAR OF THE COLOMBO PLAN

By Dr. P. W. E. Curtin

(Director of the Colombo Plan Bureau)

In the present state of our world, international bodies seem to flourish in inverse proportion to their degree of organisation. Tightly organised bodies quickly go to the wall; looser organisations live on, but sometimes with a rather slow pulse beat. The Colombo Plan is certainly one of the less highly organised bodies, having got along up to date with a minimum organisation. As the phrase goes, it is a bilateral scheme. Some commentators think they see a certain lack of dynamism and wonder whether the scheme could not do with a stronger central impulse. Others hold firmly to the present set-up.

However this may be, the Colombo Plan has struck some deep roots in South-East Asia over the past four years. Some have found fault with the size of the development plans of the Asian countries. Others have criticised the extent of foreign aid. One unquestionable fact is the vitality of the scheme, attested among other things by the continued increase in membership.

Each year has seen additions to membership, until now, with the entry of the Philippines and Thailand, together with Japan at the Sixth Meeting of the Colombo Plan Consultative Committee at Ottawa in October last, the Plan has become co-extensive with the whole area of South and South-East Asia and indeed its boundaries have pushed a little beyond this region.

A Commonwealth scheme in origin and inspiration, the Plan has inevitably changed somewhat year by year since 1951 in its evolution into an area and international Plan.

This development was, however, foreseen, all countries of the area having been invited from the earliest days to

ferences between the old and new orders: they were charged with the obligation of criticizing policies—even those formulated at the highest levels of authority. "Democratic centralism" allows this to no one. For party cadres or the personnel of the supervisory committees to question a policy decision would be unthinkable heresy; their job is simply to see that everyone follows orders to the letter and that the slightest sign of "formalism," "deviationism," or "bureaucratism" is reported for discipline.

In sum, neither the traditional nor the present monolith has favored individually oriented values or patterns of behavior. Both have sought conformity and uniformity throughout the state and culture. But the saving grace of the old system was that in operation it left a good deal in the realm of the permissive and the private. This, indeed, was one of its unacknowledged strengths—a kind of safety valve for the harmless release of individualistic impulses. The new order, in seeking absolute uniformity and conformity, excludes any such outlet. With modern techniques and instruments of coercion at its command, the Communist regime is seeking to impose a system which surpasses in its totality anything that China has experienced in the past.

participate in the Plan on equal terms, and despite the changes the Plan still retains the flexible arrangements and club-like atmosphere which grew up in the early years. Ministers and officials have now been working together, with few changes, for four years and a Colombo Plan *esprit de corps* has inspired all the proceedings of the Plan.

Expansion: The inaugural meetings in 1950 were attended only by Commonwealth countries—Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom together with Malaya and North Borneo. As early as the second, the London meeting of September 1950 Vietnam, Cambodia and Laos joined; so these three states are almost foundation members, although development projects have been understandably slow in maturing there. Since the 1951 Colombo meeting, the United States has been a member of the Consultative Committee and is closely associated with the Plan. The United States Government seems attracted politically by the Asian membership and the multilateral aspect of the Plan.

At the Karachi Meeting in 1952, Burma and Nepal attended as members, although, again, projects have taken some time to get under way there.

Meanwhile, Indonesians were debating whether foreign aid should be accepted under the Colombo Plan. By the Delhi meeting of September 1953, the Indonesian Government became the fourteenth member having apparently satisfied itself of the political acceptability of the Plan. She had doubtless observed how the Asian countries had taken the Plan to their hearts, as a scheme of "aid without strings."

The 1954 meeting at Ottawa scored a record for new membership as on successive days, Japan, Thailand and the Philippines were accepted into the Plan. Japan was reported to have wanted to join in the previous year; for their part, Thailand and the Philippines had been loosely associated with the Plan as observers at meetings and as recipients of minor aid from its earliest years. Full membership had been on their national agenda for years: some commentators saw significance in their finally coming into the Colombo Plan after the controversy over the economic clauses of SEATO.

However this may be, all the South and South-East Asian countries are now in the Plan. Another significant feature is that member countries continue to be represented at the meetings by senior Ministers, mainly Finance Ministers like Mr. Deshmukh of India, Mr. Mohammed Ali of Pakistan and Mr. Jayewardene of Ceylon or Foreign Ministers like Mr. Casey of Australia, and Dr. Sunario of Indonesia.

One may note here that the grouping of the Colombo Plan powers is wider than the more recently formed Colombo powers. Membership of the Colombo powers, a purely South-East Asian group, which is more political than economic, is confined to the three Commonwealth countries, Ceylon, India and Pakistan, along with Burma and Indonesia.

How the Plan Works: The fundamental object of the Colombo Plan has been to get schemes of economic development going in the area. The Plan, indeed, consists of the economic development programmes of the countries of the area, plus the provision of foreign assistance through bilateral negotiations, and the system of consultation and co-operation which has grown up around the Plan.

A point to be noticed is that membership of the Plan does not automatically carry benefits. For each donor country, itself, decides the amount and form of assistance, if any, it will provide to any particular country. The planning has focussed thought on and defined the issues of economic development in South-East Asia.

Perhaps the particular achievement of the Plan is the encouragement given to what might be called a development project approach to international aid. This feature of the scheme caught the attention of many at the recent meetings of the United Nations when they turned to consider how the Special United Nations Fund for Economic Development (S.U.N.F.E.D.) could operate if it were ever adopted.

The countries of the area have prepared plans for economic development based upon special development projects, specifying the amount of finance they hope to be able to provide themselves and indicating the gap to be filled with foreign aid. This procedure has tended to encourage careful preparation of projects, especially projects for which foreign aid is to be negotiated.

By carefully husbanding and adding to national resources, the countries aim to lay solid foundations for the future, mainly through multi-purpose hydro-electric projects and the improvement of agriculture and communications, with some diversification of industry according to industrial prospects. Any review of the Plan, therefore, must concentrate on the speed and firmness with which these foundations are being laid and not so much on current production or any particular results which may be influenced by good weather or other transient factors.

Results: Public expenditure on development has risen steadily over the years of the Plan, often at the expense of consumption especially in the immediate aftermath of the Korean war boom. From £235 million in 1951/1952, the total rose to approximately £245 million in 1952/1953 and £545 million in 1953/1954. The amount is expected to reach about £700 this year. These are increases of about 30 per cent. per annum. However, India, for instance, has yet to increase her investment rate beyond 7 per cent. of national production, as compared, for example, with 20 per cent. for Japan. The rate in some other member countries is still negligible.

In 1953/1954, £287 million or about half of the development expenditure for the whole plan came from India. This year, the Indian estimate has risen to £419 million out of approximately £700 million for the Plan as a whole. Pakistan accounts for £123 million of the remainder, with Ceylon, Burma and Indonesia providing most of the rest, although development expenditure in Indonesia has fallen off since 1952/1953 and is expected to drop again this year.

About one half of the Indian development expenditure is on multi-purpose projects and agriculture, including the impressive wide-ranging community development programmes. The remainder goes for transport and communications and social welfare, with 8 per cent. of public expenditure (as distinct from private investment) for industry and mining. These proportions broadly hold for the area as a whole, except that Pakistan and some other countries are spending relatively more on industrial development and mining.

In general, the new industrial plants are for the processing of local primary products or the manufacture of light consumer goods. In India, where light industry is already well established, the emphasis is on engineering and other durable goods. Steel and certain engineering industries in India are now showing a rising trend after a setback in 1953. Indian steel seems destined to bulk large in the Plan.

Reaping the Harvest: Some of the development projects have been completed and the large sums invested since 1950 are beginning to bear fruit. Helped by two good seasons, Indian agricultural production, for example, is up 15 per cent. and industrial output has increased 37 per cent. over three years of the Plan. In spite, or perhaps because of all that has been done or planned, the problem of finance remains. Development is a strongly cumulative process.

As plans mature, and project is added to project to round off and develop schemes, and skill is gained in giving effect to them, the gap between finance and development is only too apt to widen. Although much is being done to mobilise and put internal financial resources to good use, the low income of the Asian peoples makes it an uphill task to develop domestic resources for a rapid rate of economic growth.

Aid available for the coming year may be somewhat larger than before. In the first three years of the Plan, a little under £300 million was granted, of which £100 million was for last year. Most external capital has been granted to India, Pakistan and Ceylon. In addition to the grants, loans amounting to about £180 million have been made by U.S.A., U.K. and the International Bank. Two thirds of the money granted or loaned have come from the U.S.A.

A further source of external finance was the United Kingdom obligation to release sterling balances of £42 million in each year to Ceylon, India and Pakistan. The total assistance, loans and gifts offered to Colombo Plan countries amounted to over one third of the total public expenditure in the period but not all the external funds have yet been used.

This assistance does not include private investment, which, however, has been small. The Consultative Committee saw some encouraging signs that particular ventures are at last beginning to attract private foreign capital. An oft quoted example is the West Pakistan Sui Gas project, where United Kingdom capital has gone into partnership with Pakistan capital, both public and private, on what was originally conceived as a public enterprise. The efforts of the new Indian finance development agency to mobilise resources will be watched with great interest, as will be wider United Nations proposals to set up the international finance corporation.

Manpower: The expansion of private and public investment alike depends on trained manpower. For only man's skill can guide and drive the development machine. Under the various technical assistance schemes—Colombo Plan, U.S. and the United Nations—2,500 experts and technicians have worked in the area and 5,000 people of various occupations have gone abroad for training. Many of the experts have devoted their skill and energy to the creation or extension of training centres in the area, and some of the trainees will teach in these institutions on their return from overseas. A start has thus been made to equip the countries of the area with a modern labour force.

The Future: So on the whole, we have a picture of active development in face of continuing economic difficulties. Owing to population increases, the area is just holding its own; some countries have not been able to do even this, and meanwhile the gap between the standard of living of advanced and of economically underdeveloped countries is not growing less. ECAFE estimates that real income per head in the area is still probably below pre-war standards.

The Colombo Plan countries, with 600,000,000 people, or a quarter of the world's population, existing on a national income per head of no more than £30—£40, occupy 3½

SYNGMAN RHEE, THE PRESIDENT OF THE REPUBLIC OF KOREA

I. Youth

An only son, Syngman Rhee was born to Kyung-sun and Kim Hai Kimsi Rhee on March 26, 1875, in Whanghai Province, Korea. His father, who was known as a scholar of the Chinese classics, was descended from the grandson of the founder of the Yi dynasty, which ruled Korea from 1392 to 1910. During its last six generations this family line produced only one son in each generation and since President Rhee has no surviving children, the line is nearing its end.

In compliance with his family tradition, young Rhee studied the Chinese classics and at the completion of these studies he placed first in the annual national examinations. In 1894 he entered the Pai Jai Mission School, to acquire the rudiments of a Western education.

He joined the Independence Club, which was organized for the purpose of discussing democratic and modern reforms for Korea, and in 1896 (when Philip Jaisohn, its organizer, returned to the United States) Rhee became the leader of the Club. He also edited a daily newspaper, the Maiyil Shimmun, which was published partly in Korean and partly in English, and was Korea's first daily newspaper.

Stirred by the murder of Queen Min by the Japanese in 1895, Rhee organized student demonstrations against Japanese influence in the Korean Court. In 1897 he and other members of the Independence Club were appointed by the Korean Emperor as members of the Privy Council. When the Emperor refused to permit the introduction of democratic reforms, Rhee protested and the Privy Council members were dismissed.

Rhee led a mass demonstration of students in Seoul, in 1897, demanding that the Emperor accept a reform pro-

gram. Rhee was arrested and subjected to six months of torture. Following this period, he was sentenced to life imprisonment. While in the Seoul prison he organized his fellow prisoners into classes to study religion, political science, geography, history, and English. With the aid of friends on the outside, a circulating library was started in the jail, and several American periodicals were received regularly.

II. Conversion to Christianity

During his imprisonment Rhee became a Christian convert and through his teachings and his readings from the Bible, several other prisoners and some of the jailers were converted. Rhee also utilized his time in prison to translate several English-language books into Korean; and in 1904 he wrote *The Spirit of Independence*, which was first printed in Los Angeles the following year. Since that time it has had many reprintings and, as *Newsweek* reported in 1943, is "the book all literate Koreans abide by today." In this book were first set forth the democratic principles which served as the basis for the Constitution and reform measures adopted by the Republic of Korea.

In 1904 a general amnesty of political prisoners was declared and Rhee was released in August. Since it was apparent that Korea was being drawn more and more closely under Japanese domination, and since the weak Emperor was helpless to resist this trend, Prince Min and General Hahn (two of the outstanding liberal figures of the Court Circle) asked Rhee to go to the United States to appeal to President Theodore Roosevelt and Secretary of State John Hay to abide by the Treaty of 1882, in which the United States promised to extend "its friendly offices" if another nation interfered with Korean independence.

In the summer of 1905 Rhee visited with President Roosevelt at his summer home at Sagamore Hill and received assurances of support. Rhee also talked with Secretary John Hay, who promised to do what he could. However, Hay died suddenly and was replaced with Elihu Root, who believed that the United States should align itself with the growing power of Japan. Since President Roosevelt came to concur in this view, the Treaty of 1882 was brushed aside, and in the Portsmouth Conference Treaty Japan was granted a "protectorate" over Korea—which culminated in outright annexation in 1910.

III. Education in U.S.

Rhee entered George Washington University in the fall of 1904 and received his A. B. degree in the June Commencement of 1907. The next year he spent at Harvard, where he received his M. A. degree in June, 1908. He then attended Princeton University, where in 1910 he won his degree of Philosophy, in the field of political science. His dissertation, *Neutrality as Influenced by the United States*, was published in 1912 by the Princeton University Press.

While in these colleges, Rhee made many speeches about Korea, pleading for American support for Korean independence, and warning against the burgeoning ambitions of Japan. He became very friendly with Woodrow Wilson, who used to introduce him on the Princeton campus as "the future redeemer of Korean independence."

In the coming year or two, the ingenuity and resources of all members of the Plan will be taxed to the limit to achieve this momentum. Some see the key in the closer association of the United States with the Plan.

In the fall of 1910 Syngman Rhee returned to Korea, traveling by way of Europe and Russia, to serve as an official of the YMCA. While in Korea he organized the Student Christian Movement and made many speeches in all sections of the country. Because of these activities and because of his known advocacy of Korean independence, the Japanese commenced subjecting him to close scrutiny.

During the infamous "Christian Conspiracy Case" in the Spring of 1912 (in which 103 Christian leaders in Korea were arrested by the Japanese on a charge of conducting or encouraging independence activities) Rhee barely escaped arrest. In March, 1912, he left Korea as the lay delegate to the International Conference of the Methodist Church, which was to be held in Minneapolis.

Since Rhee could not return to Korea without risking arrest by the Japanese, he went to Hawaii in January, 1913, and there became the director of the Korean Christian Institute, a school which he continued to direct until 1939. He also founded the Korean Methodist Church, which eventually built a fine edifice on South Liliha Street, modeled on the famous South Gate of Seoul. During the years in Hawaii Rhee also founded and edited The Pacific Weekly, a magazine dedicated to the revival of Korean independence, and founded the Dong-ji Hoi, Korean Patriotic Society, which continues to maintain a wide membership among the 7,000 Koreans in Hawaii and continental United States.

IV. 1919 Revolution

When Rhee's old friend, Woodrow Wilson, proclaimed his Fourteen Points, during the World War, and announced that the United States stood for "the right of self-determination of peoples," Rhee and his associates felt that the time had come for the restoration of Korea's 4,000-year-old independence. They organized a nationwide passive demonstration, the first passive revolution in history, to dramatize before the world the determination of the Korean people to regain their freedom.

On March 1, 1919, this "Mansei Revolution" was launched all over Korea, by the reading in many cities and villages of a Proclamation of Independence, which had been secretly printed on hand-carved wooden blocks and distributed around Korea concealed in the sleeves of school girls.

Delegates from every province in Korea gathered secretly in Seoul and elected Syngman Rhee as President of the Provisional Republic of Korea. They then fled to Shanghai and organized the cabinet and National Assembly of what became the longest-lived exiled government of modern times. (It persisted until 1945, when the officials of the government voluntarily returned to Korea as private citizens, to leave the way open for the free election of a new Republic).

Despite the peaceful nature of the 1919 demonstrations, the Japanese fell upon the marching Koreans and killed 7,000 of them, while several hundred thousand were imprisoned. Rhee appealed to the Paris Peace Conference for recognition of the new Republic of Korea, but the Conference ignored the plea—preferring to attempt to build a structure of lasting peace in the Pacific upon a foundation of Japanese power.

Rhee made another effort to secure recognition for the Republic by the Washington Disarmament Conference of 1921-22. During the succeeding years he continued his advocacy of what the American newspapers called "a lost cause." In 1933 he went to Geneva to present the Korean case to the delegates of the League of Nations, who were then debating what to do about Japan's seizure of Manchuria. At Geneva he met Miss Francesca Donner, an

Austrian lady, and they were married the following year in New York City.

Rhee's independence activities during the long rule of Korea by Japan were manifold. In 1920 he went to Shanghai to meet with the other officials of the Provisional Republic, and stayed there for seventeen months. Some officials of the exiled government favored a program of assassination of Japanese officials and of guerilla and sabotage activities inside Korea.

On the contrary, Rhee urged the view that such methods never could succeed and that what was needed was an organized and continuing appeal to the sense of decency and justice of world public opinion, and particularly to American public opinion. On this policy there continued through the years to be disagreement between Rhee, who was in the United States, and the other Provisional Republic officials, who were in China.

They organized an army of 30,000 men, which fought effectively against Japanese forces in China during the late thirties. They also directed assassination attempts against Japanese officials in Shanghai in 1932 (which were successful in killing several high-ranking Japanese officials) and against the Emperor of Japan in Tokyo in 1924 (which failed).

Rhee meanwhile continued his appeals in America, working in large part from the office of The Korean Commission, which he established in Washington, D.C.

V. Warning on Japan

Early in 1941 Rhee published his second book, *Japan Inside Out*, in which he warned that the course of Japanese imperialism would lead to war with the West. "America is the hope for Korea," Rhee wrote in 1944. "Although the American people have not realized it, they as well as the people of the other democracies, are in a very real sense responsible for Korea's plight. They are responsible because they have ignored, for the most part unwittingly, Japan's treachery toward Korea . . . ; because they have permitted their governments to pursue policies that have directly and indirectly facilitated Japan's exploitation of Korea."

Especially after Pearl Harbor Rhee felt renewed hope that recognition might be extended to the Korean Provisional Republic. In 1940 the Government, which had languished for several years, was re-organized in Chungking, with Rhee's election as President re-affirmed. In late December, 1941, this Government formally declared war against Japan, and Rhee asked the State Department to number Korea among the "United Nations" which were opposing the Rome-Berlin Axis. He also asked for Lend-Lease aid for Korea, in order that guerilla and sabotage activities might be organized against the Japanese in the vital Korean peninsula. The most he was able to secure was the organization by the U.S. War Department of a band of one hundred Korean youths, who were trained for such sabotage activities.

VI. Division of Korea

In 1943, at the Cairo Conference, the United States, Great Britain, and China, "Mindful of the enslavement of the Korean people," agreed that "in due course Korea should be free and independent." Rhee led a group of Koreans to the San Francisco Conference, at which the United Nations was organized, and urged that unless the independence of Korea was instantly recognized, Russia would move into the peninsula.

In October, 1945, after the 38th parallel division of Korea (into Russian and American zones) had been effected, Rhee returned to Korea, where he was welcomed by huge crowds as the leader of their independence movement. General John R. Hodge, Commander of U.S. Occupation Forces, named Rhee as Chairman of the Democratic Representative Council, but he never gave this Council any power.

In the fall of 1946 General Hodge conducted an election for 45 members of an "interim Legislature" for south Korea. Followers of Syngman Rhee won election to 44 of these posts, but Hodge "balanced" the election by appointing an additional 45 members who were nominated by a "Coalition Committee" of his selection, under the joint chairmanship of two leftists, Kimm Kiuse and Lyuh Woon Heung.

Rhee then went to Washington, D.C. to protest this kind of "democracy" to the State Department. In April, 1947, Rhee returned to Korea with informal assurances that a truly independent government would be established south of the 38th parallel.

In the elections sponsored by the United Nations, on May 10, 1948, Rhee was elected to the National Assembly, and his fellow members promptly named him as Chairman. After the adoption of the Constitution, Rhee was elected on July 12 as the first President of the Republic of Korea.

The U.S. Military Government formally transferred its authority to this Republic on August 15, 1948. After more than forty years of unremitting struggle, Dr. Rhee's dream of an independent Korea was at last attained.

However, Russia still controlled northern Korea, where it unilaterally established "The Democratic People's Republic," and equipped it with a large and well trained army. Under the shadow of this military threat from the north, deprived of the huge coal, mineral and hydro-electric resources of north Korea, and handicapped by the depreciation of southern agriculture and fabrication industries—which had taken place during the four years of war and three additional years of military occupation—President Rhee and his Government struggled to restore economic self-sufficiency, and adequate military defense, and lay the groundwork for the progressive evolution of genuine democracy.

Economic progress was made through ECA aid granted by the United States. Military preparations for defense were prevented by American refusal to grant any heavy armaments. The establishment of democratic institutions was more successful. The franchise was extended to all over twenty-one (including women) and in four successive national elections the percentage of registered voters who went to the polls has averaged over eighty-six.

Some ninety newspapers were established, many of which proved their independence by being highly critical of the government. Universal education was decreed, and although conditions never permitted its full achievement, the number of students in high school soon quadrupled the number of Korean attendants under Japanese rule, and fully fifty collegiate grade institutions were established.

In successive reports by United Nations Commissions on Korea, criticism of particular events or aspects of the Korean Government were always capped by the general conclusion that progress in developing democracy was sound and continuous.

VII. The Communists Attack

The great test of the stability and popularity of President Rhee's Government came on June 25, 1950, when the communists (unable to undermine it by subversion) launched a sudden and overwhelming attack.

Without any heavy armaments, the Korea Republic would soon have been destroyed had not the United Nations decided to intervene. Nevertheless, even before such help from outside seemed possible, President Rhee ordered his Government to resist by every possible means, and the Korean people solidly supported this decision. The cost of resistance has been high.

Qualified observers have agreed unanimously that no other portion of the earth's surface has been as badly ravaged as has Korea. Ten million people were driven from their homes in south Korea, and there were more than a million casualties. Suffering from cold, hunger, and the persistent drain of mounting inflation has struck into every Korean family.

Yet far from being crushed, the Koreans have maintained their fighting spirit at white heat and have no policy (national or individual) except to wage the war unremittingly until every foreign invader has been driven back across the Yalu River.

Even under the hammering of the war, Korea's banking system was revised and a new currency was issued—since the communists had captured the old currency plates and were flooding the country with counterfeit money. A land reform program more sweeping than that ever before adopted by a sovereign nation was adopted and put into force even while the war was being waged. Schools, driven from their buildings, continued in operation in open fields and on hillsides.

The Korean Army, which was almost completely destroyed in the first onrush of the communists, was re-organized and built up until, by the Spring of 1953, it held fully sixty-five per cent of the entire front line. Constitutional amendments were adopted changing the National Assembly from one to two chambers, and providing for election of the President by the people, rather than by the Assembly.

In August, 1952, President Rhee was re-elected, in a field of four candidates, by a total vote of five to one, with over seven million ballots cast under the observation of the United Nations Commission.

VIII. The Truce

When a truce with the communist invaders was proposed in July, 1951, President Rhee opposed it, and the National Assembly approved his policy by which no truce would be recognized by the Korean Government until all foreign invaders had withdrawn across the Yalu River. Despite this policy of the Republic of Korea, the United Nations truce team persisted in its efforts to secure a compromise solution of the war, and in May, 1953, a truce plan was offered to the communist negotiators without the concurrence of the Korean Government and with only one hour's advance notice to the Republic of Korea.

President Rhee's response was to order the release of 26,700 anti-communist prisoners of war, who were held under Korean guard. At the same time he withdrew the Korean observer from truce negotiations. President Eisenhower sent Walter S. Robertson to Seoul as his personal representative to discuss the truce with President Rhee, and Rhee agreed "not to obstruct" the truce, in return for a promise of a Mutual Defense Treaty between Korea and the United States, and with the understanding that if no solution of the problem of Korean reunification should be reached in the political conference which was to follow the truce (a conference scheduled to begin October 28, 1953) the United States and the Republic of Korea would walk out at the end of ninety days.

Following these agreements, U.S. Secretary of State John Foster Dulles came to Seoul, where the text of the

ECONOMIC LETTER FROM TOKYO

Bank of Japan Rates: The Bank of Japan Policy Board decided to raise the official rates with certain exceptions by 0.4 sen per diem per Y100 or 1.46% p.a. effective from August 10. The new rate for discount of commercial paper is 2 sen p.d. per Y100 or 7.3% p.a. against 5.8% heretofore. Simultaneously, a revision was made in the existing higher graduated rates application formula effective from August 17. The board in taking this action had no intent of exerting influence on the business situation or restraining credit at this season. It was solely with a view to rectifying the present abnormal money rates structure, and of restoring the original function of official rates as the primary instrument in regulating money and credit supply, instead of relying too much on the higher regulatory rates charged on the borrowings from the Bank in excess of normal credit line of each borrower. A great many of the banks are no longer so much indebted to the Bank as to be subject to such higher rates.

Entry to GATT: Japan's entry to GATT had been decided and she will become a regular member of this international organization from September 10, 1955. The GATT covenant provides that a nation should receive approving votes of more than two-thirds of the total member nations to get membership in it, and Japan obtained favorable votes by all of the 34 members.

Below-Cost Sales: The Government is planning early carrying out of measures to check unreasonable below-cost sales of Japanese goods to foreign countries. It has been motivated to ease the United States' recent move for restriction of one-dollar blouse and other cotton goods. There is

Mutual Defense Treaty was agreed upon and initialed. President Eisenhower also announced that the United States would provide a billion dollars for Korean rehabilitation.

IX. Rhee's Policies

Through all his long life of political leadership, President Rhee has insisted that an independent and democratic Korea is essential to the maintenance of peace in Asia. Wholly aside from his patriotic devotion to the cause of the Korean people, he insisted for forty years that the West should support the ideal of a free Korea as an essential element in their own welfare: namely, to keep Japan from pursuing an expansionist course on the continent.

Since the communists undertook forcible conquest of Korea in 1950, President Rhee has insisted that the defeat of the aggressors and the re-establishment of a reunified, independent and democratic Korea is necessary to prevent the continuing danger of Soviet imperialism.

Since the United Nations has repeatedly reaffirmed that the reunification of Korea under its own free government is the United Nations goal, and since the U.N. has condemned Red China for being an aggressor in Korea, President Rhee has also declared that the U.N. should determine upon victory in Korea in order to insure its own survival as a law-enforcing agency.

Above all, he has argued that the sacrifices made by the Korean people to play their own heroic role as "the bastion of democracy in Asia" entitle them to their inherent right of self-government, throughout their land. This is President Rhee's position with the issue of Korea's future still left undetermined.

a fear among U.S. cotton industries that as a result of Japan's formal entry to GATT Japanese goods may make a further advance to the American market. Although the amount of cotton goods now being exported to the U.S. is negligible as compared with that produced there, and of little importance as a market factor, Government considers it advisable to take effective steps at an early date to dispel such uneasiness in the U.S. because of its possible effects upon other markets also such as Canada and Europe.

Bond Market: The bond market of late has continued active and new issues are being speedily absorbed. Informed circles explain the brisk sales of bonds by the following reasons: (1) The report of probable decrease in the yields of bonds through a revision of the conditions of new issues in the coming autumn has stimulated buyings; (2) Banks find it more profitable to buy new bonds yielding more than their present standard interest rate on loans, which is expected to go down further. The same circles estimate the amount of bonds absorbed by individuals reaches the Y400-500 million level monthly.

Inventories: According to the Ministry of International Trade and Industry index, producers' inventories of finished goods at June-end showed a gain of 10% over March and of 2.6% over May. This may be explained by the continued high production since Jan. 1955, which exceeded increasing demands at home and abroad. However, even this rise is

MAN-MADE FIBER INDUSTRY OF JAPAN

The man-made fiber industry of Japan led the world in 1938, producing 541-million pounds of rayon filament and rayon staple. Subsequently, production was radically reduced due to World War II, the annual output slipping down to only 27-million pounds in 1945. But as the result of the efforts made by the industry, national output exceeded the prewar peak figure in 1954 (nine years after the end of the war), the year's total being 633-million pounds, composed of 185-million pounds of rayon filament and 448-million pounds of rayon staple. If synthetic fibers are added, the annual production total aggregated 654-million pounds, Japan again being numbered among the leading nations of the world in this respect.

Man-made Fiber Production (Unit: 1,000 lbs.)					
	1938	1945	1953	1954	1955 (Jan.-Mar.)
Rayon Filament					
Viscose					
Regular	202,928	4,531	136,545	150,554	37,981
High Tenacity		—	17,314	21,406	5,224
Cupra	10,977	1,092	8,954	12,320	3,259
Acetate		—	447	571	122
Total	213,905	5,623	163,260	184,851	46,586
Rayon Staple					
Viscose	327,209	21,893	353,864	442,417	123,138
Acetate		—	3,669	5,548	1,212
Total	327,209	21,893	357,533	448,065	124,350
Synthetic Fiber					
Polyvinyl	—	—	8,594	8,093	2,474
Polyamide	—	—	4,601	10,092	3,490
Polyvinylidene		—	1,212	3,172	809
Chloride	—	—	14,407	21,357	6,773
Total	641,114	27,516	535,200	654,273	117,709

The recovery of the man-made fiber industry, especially the remarkable rehabilitation of the rayon staple, the bulk of which is produced on the viscose system, can be well visualized if the respective production totals of principal fiber categories for prewar years (1934-36 average), war termination year (1945), and year 1954 are compared.

Whereas natural fibers in 1954 accounted for only 71 per cent of the prewar average, the production of man-

made fibers reached 274 per cent of the prewar average. The prewar peak production figure for rayon filament was 336-million pounds in 1937 and for rayon staple 327-million pounds in 1938. The 1954 production total for rayon filament reached only 185-million pounds (55 per cent of the prewar peak) but rayon staple jumped to 448-million pounds (137 per cent of the prewar record).

Production of Fiber Products by Categories
(Unit: 1-million lbs.)

	1934-36 Average	1945	1953	1954
Cotton Yarn	1,419 (72%)	43	861	932 (50%)
Wool Yarn	134 (6)	14	187	169 (8)
Raw Silk	90 (5)	11	33	34 (2)
Silk Yarn	16 (1)	6	4	4 ()
Hemp Yarn	77 (4)	32	95	95 (5)
Total	1,736 (88)	106	1,180	1,234 (65)
Rayon Filament	218 (11)	5	163	185 (10)
Rayon Staple	21 (1)	22	357	448 (24)
Synthetic Fiber	—	—	14	21 (1)
Total	239 (12)	27	534	654 (35)
Grand Total	1,975 (100)	133	1,714	1,888 (100)

(Note: Cotton Yarn does not include Mixed Fiber Yarn)

That the development of man-made fibers was very conspicuous compared to the recovery of natural fibers, was a worldwide phenomenon witnessed during and after World War II. In Japan, the structure of the fiber industry was completely changed with World War II as the turning point, the position of natural fiber industry, primarily cotton, being weakened by the fast developing man-made fiber industry with viscose rayon and synthetic fiber as key elements. This evolution seems to be but a natural development when following factors are taken into consideration: Japan's natural fiber resources are very limited excepting raw silk; the basic nature of Japan's fiber industry of being forced to import all or almost all raw materials from abroad with cotton and wool topping the list; the postwar shift in Japan's overseas markets, especially the decline of raw silk export to the United States with the emergence of nylon and the slump in the export of cotton goods resulting from the higher degree of self-sufficiency among underdeveloped countries.

In prewar years, cotton and wool items caused an import excess of \$96-million. This was counteracted by the export excess of raw silk and silk textiles amounting to \$125-million; man-made fibers aggregating \$29-million; and other commodities, leaving an export excess totalling \$177-million. In postwar years, some changes occurred in the relative positions. The value of imported raw cotton and wool in 1953 reached an enormous total and the export of cotton and man-made fiber goods was dull, resulting in an import excess of far-reaching scale. In 1954, textile export rose greatly reflecting the improved international economic climate, the foreign exchange balance of the textile trade shifting to the black-ink column. But careful scrutiny shows that cotton and wool items brought about a big import excess aggregating \$260-million. Yet man-made fiber export, taking the place of silk goods, is contributing to a great extent in covering the import excess created in the realm of natural fibers.

The net foreign currency income from man-made fiber (value of imported raw materials subtracted from the value of exports) in both 1953 and 1954 led the list of all Japanese e- commodities.

Man-made Fiber, Export Situation

	Rayon	Rayon	Rayon	Spun	Spun
	Filament	Fabric	Staple	Rayon	Rayon
	(1,000 lbs.)	(1,000 sq. yds.)	(1,000 lbs.)	(1,000 lbs.)	(1,000 sq. yds.)
1953, Total	16,261	228,457	510	21,681	144,947
1954, Jan.-Mar.	5,222	52,620	113	6,017	56,039
Apr.-June	3,789	68,936	246	4,529	61,689
July-Sept.	6,072	70,835	1,012	10,077	74,715
Oct.-Dec.	2,270	71,329	359	13,663	110,099
1954, Total	17,363	263,720	1,730	34,286	302,542
1955, Jan.-Mar.	2,916	70,332	527	6,962	104,168

The export of man-made fiber goods advanced conspicuously during the latter half of 1954, accentuated by the upswing of spun rayon. Among the reasons for this increase of man-made fiber export are: (1) the improvement of the world economic situation during the last fiscal year; (2) the easing of import restrictions by sterling area nations; and (3) the decline in domestic prices from the beneficial effects of the deflation policy and the resultant narrowing of the gap between world prices and the relatively higher Japanese export prices.

In regard to spun rayon textiles in particular, two reasons can be listed: (1) the prosperity with increased production exceeding even the total output of the United States facilitated the industrial rationalization and the securing of an overwhelming superiority in supplying the world with products at the lowest price and (2) spun rayon textiles have been penetrating into the previous cotton textile markets subsequent to the inauguration of cotton goods export restriction measures.

Man-made Fiber, Export Totals

According to Categories, Settlement Areas
(Unit: Yarn—1,000 lbs. Fabric—1,000 sq. yds.)

Categories	Areas	1953	1954
Rayon Filament	Dollar	971	6%
	Sterling	6,243	38
	Open Account	9,047	56
	Total	16,261	100
Rayon Staple	Dollar	21	4
	Sterling	445	37
	Open Account	44	9
	Total	510	100
Spun Rayon Yarn	Dollar	300	1
	Sterling	3,567	17
	Open Account	17,814	82
	Total	21,681	100
Rayon Filament	Dollar	27,208	12
Fabric	Sterling	122,260	54
	Open Account	78,989	34
	Total	228,457	100
Spun Rayon Fabric	Dollar	32,148	22
	Sterling	84,128	58
	Open Account	28,671	20
	Total	144,947	100

When fiber exports for 1954 are compared with those for 1953, the export to both the dollar and sterling areas showed marked upswing whereas export to the open account area is somewhat sluggish, generally speaking.

The export of rayon filament, whose major destination had been the Republic of Korea up to 1953, fell heavily subsequent to the enforcement of import prohibition measures by Korea in April, 1954. In place of Korea, purchases by Continental China and Hongkong increased. Spun rayon yarn destined to the Republic of Korea and Indonesia fell and exports to Hongkong and Iran rose instead. The export of rayon textiles to Indonesia, the leading export market up to 1953, declined by about 50 per cent in 1954. On the other hand, exports to South Africa and Singapore moved upward.

Export destinations in the order of volume shipped for spun rayon textiles—which have shown the greatest advance in exports—are as follows: 1953—Iraq, South Africa, Indonesia, Hongkong, West Germany, Singapore, Nigeria, Burma, and Malaya. 1954—Iraq, South Africa,

Nigeria, Singapore, West Germany, Hongkong, Indonesia, Pakistan, Ceylon and Malaya.

The list shows that no special changes have occurred in the past markets, and the fact that general gains have been achieved in each of the markets eloquently speaks for the firm foundation of spun rayon textile export. The future of this export category is bright.

While the export situation is as explained above, recent development of man-made fiber industry has caused its advance in gaining on natural fibers in the domestic market. This has contributed to the improvement of Japan's foreign exchange position through economizing of raw material imports.

The volume of rayon staple used for mixed fabrics in place of cotton and wool reached 79-million pounds (22 per cent of the total staple fiber production) in 1953. This climbed to 123-million pounds (27 per cent of the total staple fiber production) in 1954. Furthermore, technical improvements in the finishing process of spun rayon textiles have enabled them to establish an independent position in the field of textile consumption. Thus spun rayon textiles are gradually freeing itself from the past position of a "substitute" for cotton and wool. This is true also in the case of synthetic fibers.

Historically speaking, it was in the year 1950 when the synthetic fiber industry of Japan was placed on a full scale commercial basis. The Government made public in April, 1953, the "Five Year Plan For The Development Of The Synthetic Fiber Industry." The goal for the final year (ending April, 1958) was set at an annual output of 100-million pounds or a daily production of 137 tons centering around Vynylon (Polyvinyl group fiber, most favored by Japan's natural resources) and including Nylon (Polyamide group) and Saran (Polyvinylidene Chloride group).

(Subsequently, another plan setting the final goal at 150-million pounds was also announced).

Just as the expansion of facilities got on the right track and the profit-taking period was about to start, the 1954 deflation policy unfolded itself. Consequently, further plant expansion of the synthetic fiber enterprise, which had not yet attained the position of a paying economic unit, had to be considerably delayed under the pressure of rising inventories and weakening domestic demand due to the stagnation of the economic situation.

Manufacturing Facilities, Synthetic Fiber

(Unit: Ton/Day)

		1953, April	1954, April	1955, April	1958, April
Polyvinyl	Planned	...	18	34	49
	Actual	...	14	18.5	20.7
Polyamide	Planned	...	8	10	15
	Actual	...	8	11	18.2
Polyvinylidene	Planned	...	6	7	12
Chloride	Actual	...	7	7	7
Total	Planned	...	32	51	76
	Actual	...	29	36.5	45.9

With the onset of 1955, however, the prospects of the project became bright as the consolidation of demand, improvement of quality, and some degree of success in the reduction of production cost have been witnessed. It is gratifying that the lost time in the execution of the five year plan is now being recovered.

As regards acetate filament and staple, Japan has been lagging far behind other countries. Recently, active plant expansion is being carried on. As to the demand for acetate fiber, considerable advance has been already achieved in the domestic market.

Japan's man-made fiber industry achieved striking development with World War II as the turning point, gradually invading the natural fiber field relative to export and

ECONOMIC REVIEW OF INDONESIA

POLITICAL TENSION

Since the Afro-Asian Conference at Bandung ended, the political atmosphere in Indonesia has become increasingly tense. Critics of the government are more vocal, both press and politicians bitterly attacking its financial and economic policies. Only the Communists have held back from the torrent of criticism, publicly attributing most of the country's misfortunes to 'imperialist intrigues'. The Party, whose influence is steadily increasing, is alone in standing to gain from the present confusion in which it can force its own clear-cut policy on a distracted government as the price of its support, the more so because many of the measures it proposes are not extreme and are dear to the heart of the P.N.I. But it goes beyond the government in recommending the repeal of Acts restraining workers from striking, the arming of peasants to fight Darul Islam, an end to the embargo on trade in strategic materials with China and annulment of aid agreements with the U.S.A. The Communists profess great confidence in their coming success at the polls and the subsequent formation of a national coalition in which they can play a leading part; non-Communist estimates of their strength vary widely but they are certainly well organised.

Indonesia is due to hold its first general elections, on the 29th September, and later the elections for a Constituent Assembly. Yet even now, when arrangements for the elections are in a fair way to being completed, it is still doubtful if they will be held at the appointed time. Instead it seems that Indonesia is involved in another crisis, of the same kind as the '17th October affair', of 1952. Tension has come to a head over the appointment of a new Chief of Staff. On June 27th Major General Bambang Utoyo was appointed to succeed Major General Bambang Sugeng, who resigned last May without reason given. His appointment is opposed by a group of senior army officers led by Colonel Lubis, who during June was acting Chief of Staff, and by a Parliamentary group led by Baharuddin who was active in the October 17th affair. The division between the government and its opponents appears to be following the pattern of the earlier crisis, though the Masjumi and the Socialists are for the time being less deeply involved than in 1952. The Minister of Defence, a known sympathiser with the Communists, resigned early in July. The rest of the government held its ground against demands that it should resign, to be replaced by a Presidential or Vice-

Presidential Cabinet, until July 22nd, when it too announced its intention of resigning.

The Jungschlager Trial

At the same time relations with the Netherlands have deteriorated sharply because of the manner in which Indonesia has handled the trial of Mr. Jungschlager and other Dutch nationals who are charged with being involved in subversive activities against the Indonesian government. The Dutch have published a White Book accusing the Indonesian authorities of maltreating the prisoners and rigging their trial. The Indonesian government has denied these allegations and is to issue its own White Book denouncing the Dutch. Yet the Netherlands-Indonesian Union still stands—on paper. The Indonesian parliament was unable to vote earlier this month on ratification of its abolition since the opposition boycotted the debate, fearing that the financial and economic agreements to replace those written into the Union would be such as to undermine international confidence in Indonesia.

THE STATE OF THE ECONOMY

Exchange Holdings Fall Again

The Bank Indonesia's gold and foreign exchange holdings are falling again; the gains achieved in the first quarter of 1955 have been wiped out. The decline has taken place in the holding of the Foreign Exchange Fund which, after rising to a peak of Rps. 1,738 million (\$152 million) in mid-April fell by about Rps. 200 million (\$17.5 million) during the following three months; the surplus of assets over liabilities registered in the early months of this year has disappeared. But, on paper at least, the position is by no means as grave as in the summer of 1954 and moreover, despite the decline in total exchange reserves, convertible exchange holdings are still some Rps. 100 million higher than at the end of March. It is only the convertible holdings of the Foreign Exchange Fund which have been drawn down.

Bank Indonesia: Foreign Exchange Position
(in million rupiahs)

Week ending:	Total gold & foreign exchange holdings*	Foreign Exchange Fund	Foreign Exchange Fund excess of assets over liabilities	Percentage Gold cover
30.6.54	1,959	1,592	—1,277	20.6
30.3.55	3,136	1,714	64	23.8
29.6.55	2,987	1,717	96	23.0
13.7.55	2,897	1,680	147	22.5

* Including gold reserves, Foreign Exchange Fund, foreign bills and balance held abroad.

domestic consumption, and now holds a very important position as a new burden-bearer in the fiber industry world.

What then is the future of the man-made fiber industry? Prospects of the fiber industry are forecast as follows in the Six Year Economic Plan announced by the Economic Council Board: It is estimated that the per capita consumption of man-made fibers for clothing for 1957-58 fiscal year (the end of the first half of the above-mentioned six year plan) will rise to 6.2 pounds (compared to 5.5 pounds for 1955), whereas natural fibers will decline to 6.1 pounds (compared to 6.8 pounds for 1955). And, it is anticipated that man-made fiber export will reach \$220-million or 27 per cent of the full textile export goal of \$763-million for 1957-58 fiscal year. In view of these circumstances, it seems justified to say that the future of Japan's man-made fiber industry is indeed optimistic.

A more serious sign of deterioration in the foreign exchange situation is the rapid increase in the free market price of gold. In mid-April it was Rps. 55,000 per kilogram, by the 1st July Rps. 64,750 against Rps. 41,250 a year ago. Free market rates for various currencies give the rupiah a value about one-fourth of that in the official exchange rates. The hoarding of gold and foreign exchange exerts ceaseless pressure on free market rates. Rumours of devaluation persist. With the currency's gold cover maintained at about 22-23 per cent, 2-3 per cent above the statutory minimum, it can be staved off for the time being, but it seems inevitable in the long run.

Improvement in Visible Trade Balance to April

The movement of the Exchange Fund's holdings suggest a deterioration in the visible balance of trade of recent months. Unfortunately trade figures are only available to April so that it is not yet possible to confirm this supposition. The figures for the first four months of 1955 show a very marked improvement in the trade balance as compared with the same months of 1954.

Foreign Trade of Indonesia: Jan.-Apr.*
(in million rupiahs)

	Including Petroleum		Excluding Petroleum	
	1954	1955	1954	1955
Exports	2,871	2,985	2,088	2,227
Imports	2,684	2,000	2,527	1,877
Balance	+187	+985	-439	+350

* Provisional figures.

It can be seen from the table above that the change in the trade balance resulted very largely from lower imports. The level of imports in May and June 1955 probably recovered slightly to meet the demands of the festival season. This could have been sufficient to exert the downward pressure on foreign exchange holdings evident since last April. Imports should fall off again during the late summer as a result of the new trade and exchange restrictions introduced last spring and export earnings may rise, preventing further deterioration.

The Monetary Merry-go-round

Internally, the country's finances become ever more chaotic, as the government's borrowing from the Bank Indonesia continuously inflates the money supply. The pace quickened again in the second quarter of 1955 with advances to the government rising by Rps. 912 million against Rps. 570 million in the previous quarter and notes in circulation by more than Rps. 750 million against less than Rps. 400 million. Deposits, however, fell slightly. Here again the situation is not deteriorating so rapidly as in the same months of 1954, but it is bad enough.

Bank Indonesia: Internal Finance
(in million rupiahs)

Week ending	31.3.54	30.6.54	30.3.55	20.6.55	18.7.55
Advances to govt.*	6,126	7,248	8,885	9,797	9,889
Bank notes in circulation	5,105	5,938	7,428	8,184	8,191
Non-governmental deposits	1,544	1,532	2,184	2,169	2,225

* Including consolidated advances of Rps. 3,838 million.

At the end of June, Parliament passed a draft bill authorising the government to increase government borrowing beyond the limit laid down in the statutes of the Bank Indonesia. During the debate on the bill the Minister of Finance stated that the budget deficit would not exceed Rps. 2,500 million in 1955, that is promising an improvement on the deficit in 1954, believed to have been over Rps. 3,000 million. He added that the total amount borrowed from the Bank Indonesia would not exceed Rps. 7,100 million. Borrowing, excluding consolidated advances from the Bank, is already nearly Rps. 6,000 million so that the

government would be limited to a further Rps. 1,000 million, against nearly Rps. 1,500 million borrowed in the first half of the year. If the government can keep to this it may mean that the rate of increase of the money supply will slow down again, but nothing more. Without a reduction in government expenditure, there will be no end to inflation in Indonesia.

Prices: Tax on Petrol

The rise in prices of imported goods continues unchecked, and supplies of manufactured consumer goods, other than textiles where there has been some improvement lately, are increasingly scarce. Retail food prices, which remained fairly stable during most of 1954, began to rise steeply towards the end of the year. By March 1955 the cost-of-living index for food in Djakarta (1948 = 100) had reached 279, against 219 in March 1954. Part of the rise may be due to a rice shortage which has emerged as a result of floods earlier this year and lack of transport from surplus to deficit areas within the country. In May the government increased the price of petrol from 50 sen to Rps. 1 20 sen per litre which will push retail prices higher still by raising transport costs for food. Most of the increase in the petrol price derives from a higher excise duty which is expected to bring in the government an additional Rps. 500 million annually.

The government is desperately trying to control affairs by extensive price and distribution controls and anti-hoarding measures, most of them quite ineffective. To reinforce these regulations, particularly those relating to the hoarding of essential commodities and to rice milling and sales, the government has introduced an Economic Emergency Act providing heavy penalties against offenders—the impounding of goods and profits made on illegal transactions in addition to cancellation of trading permits, fines and imprisonment.

Further Restraints on Exchange Transactions

The latest addition to the paraphernalia of controls covers remittance of profits and dividends by foreign firms operating in Indonesia. Profits for 1954 may be remitted in full after payment of tax and the 66 2/3 per cent levy on exchange remittance. For 1954 only 60 per cent of the net profits may be remitted, again after payment of the exchange levy, and dividends remitted will be limited to 30 per cent of the paid up capital of the firm concerned. The remaining 40 per cent of 1954 profits must be deposited with the Bank Indonesia and may be used for investment in government loans or for permitted imports such as capital goods for Indonesian industry, building of factories or other projects 'in the interest of the Indonesian financial and economic situation' which are approved by the Bank. It is thought that replanting may come under this heading. A new loan is shortly to be issued which will provide an outlet for some of these funds. It is for Rps. 100 million, to provide additional capital for the Bank Industri Negara; the terms are similar to those of last year's loan.

The Estates: Increasing Burdens

The chief sufferers from the new regulation will be the foreign-owned estates, whose burdens are increasing almost daily. Besides such long term problems as the renewal of estate leases, they are more and more affected by the general state of the economy. In particular the estates are seriously short of imported supplies, a shortage aggravated by the government's efforts to force them to import through Indonesian traders. The government's intention to allow only Indonesian-owned companies to perform most harbour services from the end of 1955 will, if carried out, put further difficulties of the same kind in their way. Costs are rising,

Both because of the steady upward movement of wages and because the estates are required to subsidize sales to their workers of essential goods such as textiles, Sumatran estates are seriously affected by the rice shortage which is due to inadequate transport facilities. On the credit side, output of estate products other than rubber is rising and security is no worse, if no better. Recent speeches by Chairman of estate companies have displayed a curious optimism, deriving from the increasing awareness on the part of Indonesian leaders of the importance to the country of estate production. The companies, however, are only holding on and those which can, are transferring their interests elsewhere.

Industry: Some New Factories

Industry too is experiencing shortages of imported supplies. In spite of the government's efforts to increase allocations of foreign exchange for industrial materials, there has been little improvement in supplies during the past three months. There are some reports of new industries, mostly relating to plans rather than actual construction. A textile finishing plant with a capital of Rps. 2 million has been built at Bandung and some small metal-working enterprises have been established. Two more similar finishing plants are under construction at Bandung, a large knitwear factory and a Rps. 10 million canvas factory. Work has started on a caustic soda plant at Surabaya and the mechanization of small weaving enterprises at Madjalaja. Plans cover a glass plant and a gypsum plant at Tjirebon, a 40,000 spindle cotton spinning mill at Bandung or Djakarta and 4 small weaving mills, a Rps. 2.5 million biscuit factory at Bandung, a Rps. 3 million rubber plant at Tasikmalaya, a ramie spinning mill at Medan in Sumatra, equipped with Japanese machinery, and the mechanisation of native sugar mills, using Japanese diesel engines.

Plans for a large cambric factory in Jogjakarta, to be set up by the Indonesian Federation of Batik Co-operatives and the Union of Batik Manufacturers, are being held up by disagreements on the source of the necessary equipment. The sponsors wish to import the machinery on a barter basis from Japan, the government is anxious that it should be imported from Western Germany under the long-term credit scheme. The building of the East German equipped sugar factory at Jogjakarta has also been delayed although the machinery has already been shipped. General Motors assembly plant has been sold to a company—Gadjah Motor—set up by the Bank Industri Negara and Philips assembly plant is to be taken over by People's Radio. Indonesia is reported to be largely self-sufficient in production of wireless receivers, but from imported parts; import of complete sets has been forbidden.

Developments in Transport

The government continues to make what small additions it can to transport services. A number of airstrips are being opened or improved including Tabing airfield in Padang and Ajakumbah airfield in Central Sumatra. Six ships have been ordered from the Netherlands Shipping Export Office; the first, which will probably be delivered by the end of 1956, is to be used primarily for pilgrim traffic to Mecca. Indonesia has endeavoured to build up its merchant marine since independence but most shipping is still Dutch and services are grossly inadequate. In June it was necessary to close some railway services in Central and East Java because of transport difficulties in supplying coal from the Sumatran mines. The state of transport services might stand as a pattern of the Indonesian economic situation; an easing of the strain in one direction is nullified by greater difficulties elsewhere and real recovery seems further off than ever.

EXPORTS

Higher Earnings in 1955

The value of exports was over Rps. 100 million greater in the first four months of 1955 than in the same months of last year, though showing a seasonal decline from the level of late 1954. Most of the increase was the result of higher prices for rubber but there was also a striking increase in the volume and value of exports of many minor commodities which earned an extra Rps. 50 million.

Indonesia's Main Exports: Jan.-Apr.*
(in million rupiahs)

	1954	1955		1954	1955
Rubber	783	1,196	Pepper	32	33
Petroleum & products	783	756	Coffee	178	32
Tin ore & metal	215	201	Hard fibre	18	21
Copra	207	128	Sugar	27	18
Tea	127	135			
Palm kernels & oil	90	67	Total of above	2,474	2,615
Tapioса, dried & flour	14	33	Total all exports	2,871	2,985

* provisional.

In addition to the increases shown above, the value of exports of copal and damar, timber, spices, sago, copra cakes and manganese rose. The increases in minor exports probably result mostly from the inducements offered by the parallel transaction system.

Rubber: Production Puzzle

According to figures published by the International Rubber Study Group, the volume of both production and exports of Indonesian rubber in the first four months of 1955 was lower than in the same months of 1954.

Indonesian Rubber Situation: Jan.-Apr.
(long tons)

	Production		Exports Total
	Estates	Smallholders*	
1954	92,102	141,952	230,554
1955	89,679	117,283	206,962

* Estimated.

The estates are known to have been affected by bad weather but the figures for smallholders' output are rather surprising since, elsewhere in the Far East smallholders' production has, as usual, risen in response to higher prices. Probably the figures given are an underestimate, but there is another possible explanation for at least a partial failure of production to respond to rising prices. Smallholders' rubber was removed from the parallel transaction list earlier this year, depriving exporters of the benefits derived from the sale of certificates to importers, which used to increase their takings in rupiahs by anything from 90 to 150 per cent. If this is the case then, though smallholders' output may increase in response to higher prices, it might remain below the 1954 level.

Rubber above 3/- per lb.

Rubber prices have risen further since the spring, from 2/3d per lb. for No. 1 R.S.S. spot rubber in London last May to over 3/-d per lb. at the end of June, the highest since February 1952 and now at 3/2d per lb. nearly double the price prevailing a year ago. The steep increase of the last three months was set off by a shortage of immediate supplies but more enduring influences are expected to maintain prices around the current levels for several months at least. The Rubber Study Group in its latest forecast put the world surplus of natural rubber production over consumption in 1955 at only 15,000 tons and the market is buoyed up by the resumption of Russian and East European buying, record consumption in the U.S.A. and the prospect of large purchases by Britain and Western Europe where stocks are low. Indonesia's rubber earnings can, therefore,

be expected to remain above the 1954 level throughout this year, even without a recovery in smallholders' output.

Tin: Temporary Decline in Export Volume

The value of tin exports fell in the first four months of this year, because the volume of exports of tin-in-concentrates fell from 10,270 tons to 9,393 tons. Tin metal exports to Japan stopped. This drop in exports is probably purely temporary, coinciding with the ending of deliveries under the U.S.-Indonesian tin contract signed in 1952. In May it was announced that the contract had been extended for 3 months and it is now likely to be extended further, in view of the U.S. Congress recommendation that the Texas Tin Smelter should be kept open till 1956 at least.

The volume of Indonesian exports has probably recovered over the last three months, and, with the likelihood of only a small surplus in world tin supplies during 1955 or even a shortage, should rise further during the second half of the year. Meanwhile tin prices, which were below £700 per ton in January, have risen steadily and are well over £750 per ton; with the prospect of tin being in short supply during the next six months, they are not likely to fall again. The value of Indonesia's tin exports should, therefore, soon recover.

Indonesia has still not ratified the International Tin Agreement and, unless it fails to secure a new contract with the U.S.A., is not likely to do so. Even without a contract, the political situation is such as to make Parliamentary approval of the agreement unlikely.

Discouraging Outlook for Copra

The volume of copra exports in the first four months of this year also fell, by about 20,000 metric tons to 70,000 tons, but here there is little prospect of improvement. High domestic prices and lack of transport are discouraging exports while competition from the Philippines and Indonesia's determination to sell direct instead of through the Netherlands are a limiting factor on sales to Western Europe. The copra export duty was reduced in June but that is not enough to raise sales. World oilseed prices are steady at a level below that of 1954; even if they improve as they might at the end of this year Indonesia's export earnings are not likely to benefit.

Other Estate Products: Production Rising, Prices Lower

Figures of estate production show rising output.

Estate Production (excluding rubber): Jan.-Apr.					
	(in metric tons)				
	1954	1955		1954	1955
Tea	15,205	16,282	Sugar	210	2,764
Coffee	161	700	Palm oil	50,146	51,918
Cinehona	213	689	Palm kernels	13,022	13,462
Cocoa	26	170	Hard fibres	8,811	11,425

Sugar sales have been slow this year but should improve since Japan is prepared to take large quantities. Export earnings from other estate products will not improve because world prices are generally lower and in many cases domestic consumption is outstripping the rise in production and pushing up domestic prices. Coffee sales may recover from the very low level of early 1954 since coffee has been put on the list of exports under the parallel transaction system.

General Outlook

The general outlook for Indonesia's export earnings is for a further increase above the 1954 level, deriving from higher rubber earnings, an improvement in tin and sugar and a sustained high level of smallholders' minor exports

under the parallel transaction system. This should be more than sufficient to offset the decline in receipts from oilseeds and minor estate products. Oil earnings on balance should be unchanged because the drop in earnings from oil is smaller than the drop in oil companies' imports. Besides, the new petrol tax may check the tendency for domestic consumption to rise. The increase in total exchange earnings should keep Indonesia's balance of payments on an even keel, given a continuance of the present level of imports. It is not enough to permit of greater total expenditure on imports since Indonesia must have a large visible surplus to pay for invisibles. With the trade surplus of Rps. 2,565 million (\$270 million) in 1954, Indonesia had a payments deficit estimated at Rps. 433 million (\$38 million).

IMPORTS AND TRADING PARTNERS

Savings on Imports: Rice

The lower level of imports in the early months of 1955 as compared with the same months of 1954 has affected most suppliers, particularly Japan and the Sterling Area, and nearly all main commodities. A major saving has been achieved on rice. From January to April 1954 116,960 metric tons were imported valued at Rps. 262 million, in the same period of 1955 4,421 tons valued at Rps. 7 million. This change is reflected in a decline during the first quarter of 1955 in imports from Burma to Rps. 2.3 million against Rps. 191.5 million and from Siam to Rps. 14.8 million from Rps. 70.7 million. Imports of wheat flour have also fallen, though less drastically, affecting purchases from Australia.

30,000 tons from Burma

It was hoped at the beginning of this year that no further orders for rice would be necessary during 1955 though provision was made to purchase small quantities from Burma. Now, owing to the rice shortage, the government urgently requires 30,000 tons. A mission has been sent to Burma to discuss the import of Burmese rice, if possible on a barter basis. The government has stated that this rice is designed to meet purely local and temporary shortages but outside observers estimate that imports may be up to 150,000 tons or more because the domestic crop has suffered from floods. Even so Indonesia should save some Rps. 230 million (\$20 million), nearly halving annual expenditure on rice imports as compared with 1954.

Savings on Textiles

Savings on cotton textiles so far this year are still more substantial. A drop in yarn imports has been partly offset by larger imports of sewing cottons but in the main cloth groups the value of imports has dropped from Rps. 547 million in the first four months of 1954 to Rps. 247 million from January to April 1955. The brunt of this decline has been borne by Japan, whose exports are now little more than a quarter by volume and value of direct exports in the peak period of the first half of last year, though indirect exports through Singapore have risen sharply in spite of the Indonesian ban on such trade. Hongkong has also suffered severely from the reduction in Indonesia's textile imports. The U.S.A. and West European suppliers have been less affected and in most cases exports of cotton piecegoods have risen above the low level of the second half of 1954 though not to the level of the first half so far as Britain and the Netherlands are concerned. No figures of Chinese exports are available but it is known that large quantities of Chinese piecegoods have passed through Hongkong to Indonesia, particularly since March.

Future Textile Imports

Cotton textile imports during the first few months of this year were permitted to increase to meet the demand created by the Lebaran festival, and it seems that the government is anxious for a continuance of this higher level of imports from countries other than Japan. Cheapness and speedy delivery are the two most important points in selling to the Indonesian market at present. The import regulations referred to in our last Review have now been clarified. In order to secure foreign exchange for textiles, importers must secure a textile certificate by competitive bidding, bids being expressed as a percentage of the c and f value of the textiles to be imported. Such bids can only be made at the invitation of the Import Office. Importers are required to deposit the sum bid with the Bank Indonesia, in addition to the normal advance deposits for all imports.

Fewer Capital Goods

Imports of machinery, most types of iron and steel and vehicles are at a very low level, and will be kept there by exchange restrictions.

Indonesian Imports: Jan.-Apr.

	Volume metric tons	Value mn. rupiahs	1954	1955
Iron & steel: bars & sheets	40,618	35,646	97.8	64.4
Roofing material: galvanized steel	1,058	399	2.8	1.1
Iron & steel pipes & tubes	8,472	6,384	23.8	16.5
Nails	9,846	8,262	16.3	14.0
Agricultural etc. tools	196	163	1.1	0.9
Industrial machinery	7,806	4,990	114.2	74.8
DYNAMOS, TRANSFORMERS etc.	811	592	9.2	9.5
Buses and trucks	2,586	940	26.7	12.5
Motor cycles	770	361	15.7	8.0
Bicycles	6,983	5,482	56.4	40.6

The drop in machinery and vehicle imports is reflected in the statistics of all main trading partners save Hongkong which is a minor supplier. Western Germany has not been affected by the drop in iron and steel imports but exports from other main trading partners, notably Japan, are falling.

More Restrictions on Vehicle Imports

Further restrictions on vehicle imports have been introduced over the last three months. Foreign exchange will only be made available for 18 specified types of motor vehicles from specified countries. The list includes 7 American makes, 4 German, 3 British (Austin, Morris and Ford) and 1 each from Italy, France and Czechoslovakia. A similar list has been drawn up for motor cycles—4 British, 4 German, 1 each from Czechoslovakia, Austria and the U.S.A.; and for marine diesel engines—4 German, 2 each from Denmark, the U.S.A. and Britain, 1 each from the Netherlands, Japan, Italy and Switzerland. So far as possible vehicle parts will be imported for assembly in Indonesia; no imports of complete bicycles will be permitted in future and the same ruling may be applied to motor cycles. Imports of spare parts should be larger during the summer to provide for the rehabilitation of large numbers of motor vehicles laid up for want of them.

Items in Demand

A few commodities have escaped the general decline. Imports of motor cars from January to April 1955 were valued at Rps. 25 million against Rps. 18 million from January to April 1954. By now, with the new regulations beginning to take effect, they are probably falling off. Increases have also been registered in imports of cement (and additional large shipments are coming from Eastern Europe), constructional iron and steel, iron and aluminium household articles and agricultural machinery. The volume, though

not the value of chemical imports, has risen; German and British sales in this group are gaining ground at the expense of American and Dutch. Reports from Hongkong suggest that in addition to these goods, Indonesia is attempting to maintain imports of pharmaceuticals, paper and jute goods. The government is trying, with little success, to finance imports of many of these goods by securing one year credits from suppliers; aluminium and enamelware, and cotton textiles have lately been added to the list.

Indonesia's import policy is unlikely to show much change over the coming months, indeed over the whole of the coming exchange year from September 1955 to August 1956. The needs of industry will be given priority, first raw materials and then machinery and constructional materials for expansion. It is thought that exchange allocations may be made to industry in one go instead of at intervals throughout the year, to enable firms to plan ahead; the Ministry of Economics is already enquiring into the foreign exchange requirements of industry in 1955-56. Some exchange must be allotted to peasant agriculture, particularly in view of the agricultural development plan soon to be launched, and a bare minimum to the estates. Essential consumer goods will come third, allocations for cotton piece-goods probably being rather more generous than during the 1954-55 exchange year, and the rest a poor fourth. If rice imports have to be substantially increased, imports of other goods will be cut again. Total expenditure on imports is not likely to rise unless the export situation undergoes a drastic improvement; any improvements in the import trade are likely to be in the direction of better administration.

Trade Negotiations: with Western Europe

Some of Indonesia's minor European trading partners have escaped the blight which has fallen on exports to Indonesia, notably France whose trade is benefiting from the agreement signed in 1954. The level of German exports has fallen slightly but should improve again, following the renewal of the 1953 trade agreement. A trade protocol was signed early in July, covering the period April 1955 to March 1956. It differs little from the old agreement but provides for German exports of cotton textiles to Indonesia about six times as large as under the last agreement and substantial increases in exports of metal goods and motor vehicles. New quotas have been provided for exports of rubber goods and glassware.

Indonesia has also signed a credit agreement with Italy whose exports to Indonesia, after rising last year, fell off this spring. Negotiations with Sweden for the renewal of the 1954-55 agreement have been opened.

With Eastern Europe

Trade talks have been held with several East European countries to renew old agreements. The Czechoslovak government has offered to provide Indonesia with long term credits. A Polish delegation is visiting Indonesia. A Bulgarian delegation has contracted to supply cement, china, textiles, electrical tools, chemicals and fertilizers; deliveries should begin in late 1955 or early 1956. Existing trade agreements have led to an expansion of Indonesian trade with the East European satellites. Indonesian exports to the group were valued at \$4.7 million in the first quarter of 1955 against less than half a million in the same months of 1954. Indonesian imports at \$10.9 million (out of total imports of \$132.1 million) against \$1.4 million. But trade with Russia is almost non-existent.

And with China

Though its share of Indonesian trade is so far negligible, providing \$2.6 million of Indonesia's imports in the first

SURVEY OF BURMA

Burma is comparatively well endowed with natural resources. Of Lower Burma's total area of 21 million hectares only 22 per cent was classified as cultivated before the war with a further 21 per cent cultivable. Adequate and regular rainfall provides highly productive conditions for rice cultivation. Abundant forestry and mineral resources of the country may well repay fuller surveying and development. Good river systems are supplemented by inland waterways, and also provide sizeable hydro-electric potential, according to the UN Survey of the Far East for 1954.

There is no serious population pressure on Burma's natural resources. Its 1941 average population-density of 28 per square kilometre was one of the lowest. The rate of population growth is estimated at 1.3 per cent per annum between 1931 and 1941 and now about 1 per cent. Ad-

quarter of 1955, China is in a fair way to becoming Indonesia's most important Communist trading partner. With the growth of Chinese industry it must be expected that it will be in a position to supply an increasingly large share of Indonesia's import requirements. The country's political weaknesses are probably an added inducement to the Chinese. Indonesia for its part looks to China, as to other Communist countries, as a market for those agricultural exports which it can only sell with difficulty and at prices too low to satisfy it in Western Europe—copra, coffee and cocoa to name only a few. It is significant that the head of the Indonesian State Planning Bureau and a senior member of the foreign trade department of the Ministry of Economics accompanied the Prime Minister on his visit to China last May and had discussions with the Vice Chairman of the Chinese Planning Commission and the Deputy Minister of Foreign Trade. In June an official of the Indonesian Ministry of Economic Affairs said that when the trade agreement with China was renewed this summer, it was hoped to provide for trade to the value of £20 million annually against £6 million under the old agreement, that Indonesia wanted to buy £5 million worth of textiles from China in partial replacement of those no longer coming from Japan and that it would purchase capital goods including hydro-electric equipment from China on long term credits. Nothing more has been heard of negotiations yet but they should take place in the near future.

Stalemate with Japanese continues

Japanese exports to Indonesia are still falling, Indonesia has not, cannot, repay its debts and no real progress has been made in reparations discussions. Trade debts and reparations were informally discussed at the Bandung conference. The Japanese were confident of results but they have not appeared, even in the form of renewed talks, to replace those broken off this spring. The Japanese are looking for all possible means of restoring their trade. They now propose to persuade the U.S.A. to join in a triangular agreement, under which Japan would purchase American cotton, process it and export it to Indonesia which would pay America from the proceeds of rubber and tin exports. Indonesia is less anxious to resume normal trading. Its exports to Japan are mounting, assisted by official Japanese approval and in the first four months of this year it achieved a small surplus on its balance of trade with Japan against a deficit in the same months of 1954 of nearly \$40 million.

ministrative, mercantile and industrial experience is scarce, most of the responsible posts having been in the hands of foreigners until after the war.

Nearly ten years of war and internal disorder have reduced Burma's output by serious destruction of capital. After the war gross domestic product was under 70 per cent, and by 1953/54 it was only 84 per cent of the pre-war level. While the restoration of this level has remained a principal economic objective, one major source of economic strength has been abundance of food. Burma has always been able to produce not only enough foodgrains for itself but also a surplus for export which brought high prices in the post-war period.

The restoration of pre-war levels of production in existing lines is likely to be easier than the development of new lines of production especially in industry and mining. Increase of mineral and forestry production for export, and the establishment of secondary industries will, however, be needed to correct Burma's excessive dependence on one export commodity, especially now that rice is encountering a buyer's market.

Burma has adopted a broadly socialist economy, while permitting and assisting private enterprise where it can play a useful role. Consequently, State industrial, commercial and financial agencies, boards and corporations are important in the Burmese administrative structure. The programme of land nationalization and distribution is also in line with the socialist policy.

DEVELOPMENT PLANNING AND PROGRESS

Substantial progress was achieved in 1954 in both preparation and execution of projects of economic and social development planning. In August 1953, the government's engineering and economic consultants presented their comprehensive revised report for the economic development of Burma, and at the end of the year the government took a number of decisions on it, endorsing many of its recommendations.

The Eight-Year Economic Development Programme aims at reaching by 1959/60 a gross domestic product of K 7,000 million at 1950/51 prices, by means of a net capital investment in the public and private sectors of K 7,500 million, of which about K 900 million had already been invested by the end of 1952/53. If this programme were successfully implemented, per capita income would increase from K 201 in 1950/51 and K 210 in 1951/52 (at 1950/51 prices) to K 340 in 1959/60. This would represent an increase of 69 per cent in per capita output by 1959/60 over that of 1950/51, but only of 4 per cent over the per capita output of K 326 in 1938/39. Consumption per capita would rise by 54 per cent from K 146 in 1950/51 to K 224 in 1959/60. The gross domestic product would increase approximately from K 3,900 million in 1951/52 to K 7,000 million in 1959/60, an increase of 80 per cent.

The estimate of total investment which the government hopes will be undertaken by private enterprise alone is K 2,400 million or 32 per cent of the total, the government being responsible for the remainder either alone or in partnership with private enterprise. Foreign exchange expenditures are estimated at K 2,500 million or 33 per cent of the total investment.

To increase gross domestic product, primarily through restoring pre-war levels of production in agriculture, mining and forestry, investment in directly productive sectors must be supplemented by rehabilitating or creating basic transport and communication facilities and power capacity. The Plan target for crude petroleum output is only one third of pre-war production, while the target in others reaches pre-war levels as in railways, or exceeds them as in forestry, electric power, and crops like cotton and groundnut. To provide for increased productivity and further growth of the economy after 1959/60 investment in social capital will be required for education, health, housing, and technical training. The choice of industrial projects has been influenced mainly by the need to reduce the economy's extreme dependence on primary production but has had to take other factors into account, including adequacy of natural resources, markets, skilled labour and transport; evidence of economic soundness, and technical complementarity of projects. At the time the Plan was prepared no serious shortage of foreign exchange had been envisaged, and this factor hardly influenced proportions or priorities in the Plan.

Though the government's planning consultants presented a development programme with aggregate planning targets for the whole economy, their detailed projects were limited by their terms of reference to specified sectors. Basic transport will take 25 per cent and irrigation and power together over 20 per cent of the total programme. Agricultural output is also to be expanded by a substantial agricultural programme. Investment in the planned sector is expected to reach peak rates during the period 1954/55 to 1956/57, and total investment is also expected to continue to increase. Annual targets should however be regarded as flexible and deviations between target and accomplishment may be large for any one year. But over the whole period achieved expenditures may be expected to be much closer to the targets.

This throws into relief the government's major problem, the adjustment of the annual programmes for the different sectors to fit an integrated overall programme. These programmes include the detailed plans covering only certain sectors; a five year agricultural plan, which an Agricultural Planning Commission is to implement; the social reform programme, community development, and social welfare programme supported by the United Nations technical assistance. The aggregative 1959/60 targets for gross domestic product, capital investment, per capita output and per capita consumption, and these sectoral plans, which have been drawn up independently, will need mutual readjustment, both initially and in year-by-year implementation.

Capital formation

The plan involves an average annual rate of capital formation of one-sixth of the gross domestic product. At first, public capital formation is to be high; later the resulting increase in gross domestic product is to be used to develop private capital also.

As compared with several other ECAFE countries, Burma's ratio of capital formation to current output has been high. The gross domestic capital formation in 1952/53 and 1953/54 was over 19 per cent, and in 1954/55 nearly 25 per cent, of gross domestic product. The rates of formation of net domestic capital and fixed capital have also been high and rising during these years.

Four factors have contributed to Burma's high rate of capital formation, some of which may however not be fully operative in the years immediately ahead, unless the forest and mineral (including petroleum) resources of Burma are quickly developed and trade in these products is restored to the pre-war levels: its abundant natural resources

and absence of serious population pressure, which leave a margin above subsistence needs for capital formation; the high output-yield of capital invested in primary production (Burma's chief source of increased wealth) and a resulting export surplus of primary products; favourable terms of trade; and finally a successful government rice-export monopoly stabilizing private incomes and consumption and using part of the proceeds for capital formation. The rate of gross capital formation even before the war was 12 per cent. Disturbed conditions in the early post-war years prevented this rate from being increased, but improvements since 1951 have made such an increase possible.

For twenty years up to 1941 Burma's exports exceeded its imports every year by at least 80 per cent; its annual surplus of foreign exchange was large enough to have financed the import of goods needed for a development programme. Burma was, however, making substantial payments on service items. With the repatriation of foreigners and the decline in the amount and productivity of foreign investment these service payments have declined in the post-war years, leaving more of Burma's foreign exchange earnings for the import of developmental goods.

Institutional and personnel problems

As development expenditure increases the government will probably have to pay increasing attention to the machinery of planning, programming and review. At present the Economic and Social Board, mainly a ministerial body, is the top policy-making organ while the Ministry of National Planning is responsible for over-all economic planning. This ministry, however, can plan effectively only if other ministries and government agencies co-operate in carrying out the annual programmes which it draws up and the modifications which it has to introduce. It will be for the Economic and Social Board, in taking final decisions, to reconcile differences between this ministry and other government agencies.

The Ministry of National Planning has within itself an Economic Planning Commission and a Social Planning Commission. It would seem, however, that measures to improve their working would contribute both to better planning and to implementation, especially during the period of heavy expenditure from 1954 to 1957. Granted sufficient inter-ministerial and inter-agency co-operation, the nucleus of specialists and technicians at the Ministry of National Planning could become a focal point, for which the Economic and Social Board could draw on the technical knowledge and experience of the staff of every agency of the government.

In order to supplement the Eight-Year Development Plan with its natural bias towards basic and industrial development, improve upon the Five-Year Agricultural Self-sufficiency Scheme, and integrate the agricultural, forest and irrigation plans, the government has recently set up a Land and Agricultural Planning Commission. The Commission's terms of reference are to produce within a period of two years a Comprehensive Land and Agricultural Plan for Burma. The Commission is headed by the Financial Commissioner (Land) and its expert staff is to be drawn from the various governmental agencies concerned as well as from abroad.

Shortage of technical and administrative manpower is, however, becoming serious as projects come to be implemented. The Agricultural and Rural Development Corporation, the Industrial Development Corporation, and the Mineral Resources Development Corporation, set up in 1952 to administer three development programmes, are all short of staff; so are several other government boards administering, for example, housing, power, railways, and specific in-

dustries; and also the industries, factories and projects which they control. This may well prove a limiting factor to rapid economic development.

Nevertheless, a number of new institutions have been established or proposed, including: the State Commercial Bank, set up in August 1954 with an authorized capital of K 50 million (to which the government has already contributed K 10 million) for providing short and medium-term credit; the Union of Burma Co-operative Bank, which will start work next year, extending credit to co-operatives; a Commerce Development Corporation to help Burmese nationals secure a larger share of internal and external trade; and a tariff board, to determine the nature and extent of protection to national industries. The State Agricultural Bank, opened in June 1953, also expanded in 1954 through the agency of village banks.

Foreign firms awarded engineering and construction contracts will sometimes have to run the factories and undertake to train Burmese nationals over a period. National and international assistance programmes are giving technical and engineering training to more Burmese nationals; and local technical institutions are being expanded. These, however, cannot entirely overcome the immediate shortage.

Reference may be made in this context to the contracts for joint enterprises concluded by the Government with foreign firms in certain lines of production. In 1952 a contract with a foreign firm was entered into to work the lead and zinc mines; another for deep-sea fishing; and in 1953 for production of mineral oil, and a tea factory. The government's policy is to encourage foreign capital participation by such joint ventures.

An encouraging development is the people's enthusiasm for the Pyidawtha projects, which are projects carried out by local voluntary effort with government assistance. During 1952/53 the people's voluntary contributions in cash, labour and materials were K 7.6 million and government grants K 8.8 million. In all, 184 townships completed nearly 9,000 separate projects, including schools (nearly one third of the expenditure), roads and bridges, wells, libraries and minor irrigation and drainage works. Cash formed about half of the voluntary contributions, labour more than a third and materials the remainder. During the first six months of 1953/54 67 townships had spent K 3.8 million on such projects: not indeed a large sum in relation to the total development outlay, but of fundamental importance nevertheless to the economic development programme. For the village Pyidawtha committees are local democratic development agencies sharing the main responsibility for actually organizing and executing these works.

New land-nationalization legislation, enacted in 1953, was suitably amended in 1954 to facilitate equitable distribution of nationalized land holdings. The new law provides for land committees of 7 members elected by the people of the district, with cultivators participating directly in decisions on the distribution and size of land holdings. District land committees of 8 members are appointed by the government to supervise the working of the land committees. By the end of June 1954 about 275 land committees had been formed in villages and two-thirds were functioning actively. In addition, village mutual-aid teams and co-operative farming arrangements were being encouraged. These institutional experiments will be watched with interest.

PRODUCTION AND TRANSPORT

Gross domestic product

Gross domestic product in 1953/54 is estimated at K 4,670 million at current prices, or 3 per cent above that of 1952/53 but substantially below the 1953/4 target of

K 5,200 million and still only 84 per cent of the pre-war level. Output fell short of expectations in agriculture (owing to poor weather), mining, forestry and other sectors; rice exports were below estimates in both price and quantity; but "other industries" (mainly construction) improved substantially over 1952/53. It is estimated that the 1954/55 gross domestic product will be K 5,300 million, that is 13 per cent higher than in 1953/54, representing an increase in agriculture, forestry, mining and other industries resulting from higher productivity and new investment. The increase in agriculture will be achieved, but it is doubtful in other sectors.

The 1953/54 target for gross domestic capital formation was K 1,075 million, and estimated achievement is K 910 million, of which K 875 million is fixed capital; the public sector contributed K 450 million and the private sector K 460 million. During 1952/54 gross public capital formation was K 450 million, but over K 200 million of this was an addition to government rice stocks. The current year therefore represents more progress in fixed capital formation.

The 1954/55 target for gross domestic capital formation is K 1,300 million with K 790 million in the public sector and K 510 million in the private sector. All but K 30 million in the public sector and K 10 million in the private sector will be fixed capital which will thus be nearly 95 per cent of the total, a further substantial increase in fixed capital formation.

Agriculture and forestry

Owing to adverse weather, the paddy crop is estimated at 5,527,000 tons in 1953/54, compared with 5,740,000 tons in 1952/53. The sesame crop at 43,700 tons and cotton at 22,000 tons are also 19 and 9 per cent lower respectively. The production of other crops, such as maize, millet, sugar cane and onions, showed increases over 1952/53 and that of groundnuts, which increased by 8 per cent to 191,000 tons, surpassed its pre-war level. The number of plough cattle continued to increase and is now estimated at 93 per cent of the pre-war level, indicating a satisfactory position in relation to the sown acreage which is 87 per cent of the pre-war figure.

The principal elements in the development of agriculture were dairy farming, cattle farming, the granting of acreage subsidies for jute, groundnuts and tobacco, and improved seed distribution. Paddy acreage subsidies were discontinued because of administrative difficulties. Irrigation projects were carried a stage further by the purchase abroad of K 18 million worth of equipment, but actual construction is held up by the lack of technical personnel and the need for further preparation.

Though production of teak and other hard woods declined in 1953/54 a substantial improvement is expected in 1954/55 as a result of increased security and accessibility of forest areas, added extracting capacity and a 20 per cent increase in elephant power. It is hoped to double the exports of teak in 1954/5.

The government has now adopted a major programme of integrated and partly mechanized forest industries, including both extraction and processing. It has acquired the Bombay Burma Company's saw-mill and hopes to complete its own new saw-mill by December 1954.

Mining and industry

There were improvements in production of petroleum and zinc in 1953 but other minerals remain at a fraction of pre-war levels. With the opening of a new refinery at Chauk with a rated daily input capacity of 100,000 gallons petroleum output has increased from 37.5 million gallons

for the whole of 1953 to an annual rate of 46 million gallons in the first half of 1954. Production of motor spirit and kerosene is also increasing and it is expected that some 3,000 tons of paraffin wax will be available for export in 1954.

With the re-opening of the Bawdwin mine, production of zinc concentrates is now about 4,000 tons; and the Mawchi mine, just re-opened, will make possible a production of 5,000 to 6,000 tons of mixed tin and wolfram in 1954. The 1953 figures indicate that there was an increase in the output of building and road materials. The production of other minerals continues to be unsatisfactory. The Mineral Resources Development Corporation is exploring new resources, including the Kalewa coal deposits. Recovery in mining output will, however, continue to be slow.

Production in the existing cotton spinning, cement, sugar and salt industries increased, and substantial progress was made in the establishment of new industries and in the expansion of the capacity of existing ones during the year. The Industrial Development Corporation is making loans to private industrial enterprises, the budget appropriation in 1953/54 for this purpose being K 5 million.

Production of yarn in the government cotton mill in the first half of 1954 was 1.6 million lb. as against 2.4 million lb. during the whole of 1953. A higher rate of output has been maintained since the middle of 1953 and output for 1954 will be about 4 million lb. The Burma Cement Co., Ltd., the only cement producer in Burma, was nationalized in August 1954. In 1952/53 it produced about 45,000 tons as against 36,000 tons in 1951/52. It was closed down from July to October 1953 for repair and overhaul. From November 1953 to April 1954, production was running at an annual rate of 58,000 tons, i.e., 90 per cent of the rated capacity. Sugar production continued to expand from 13,700 tons in 1952 to over 20,000 tons in 1953. Production in the first half of 1954 was about 19,000 tons. Output of brine salt increased substantially from 54,000 tons in 1952 and 61,000 tons in 1953 to 54,000 tons in the first half of 1954.

Plans for expansion of existing industries include the following: two sugar factories, one at Nanti with a capacity of 15,000 long tons and 360,000 gallons of alcohol and another at Pyinmana with a capacity of 22,500 long tons and 500,000 gallons of alcohol; a new cement factory at Rangoon to produce 120,000 long tons; a new cotton-spinning factory at Myingyan with 200,000 spindles and expansion of the existing factory.

Contracts have been awarded for the following new industries with the stated annual capacity: steel (20,000 long tons), jute (24 million bags), clay tiles (6 million tiles and 8 million bricks) and pharmaceuticals. Construction will begin in 1954 and be completed by 1956. Contracts for a rice-bran oil plant (annual capacity of 3,000 long tons) and a silk throwing plant (575 lb. per day) are under preparation.

Another major project is the development of an industrial tract on the Hlaing River for industrial sites, providing deep water for navigation, highway and railway facilities and housing for workers. It is proposed to create a pool of equipment to be available to contractors for various projects. This will include a maintenance and repair shop together with spare parts.

Progress has been reported also in the field of cottage and small-scale industries under the charge of the Cottage and Small-Scale Industry Board. Pilot plants for sugar manufacture, pottery and condensed milk have been completed; machinery for the textile factory has been imported and work on hand paper making, textile plant, lacquer ware and dry cells is proceeding satisfactorily.

Transport and power

The progress in the implementation of transport projects has in some measure contributed to maintaining higher levels of production and trade. On railways, considerable work has been done in repair and rehabilitation, apart from additions to rolling stock. In 1953/54, capital outlay on railways was increased to K 64 million from the budget allocation of K 58 million. The development of inland water transport involves a substantial increase in the flotilla, and expansion of dockyard facilities. In 1953/54 and 1954/55, two passenger cargo vessels for the coastal trade and two cargo vessels for the Indo-Burma trade will become available.

Repair of war-damaged minor ports is nearly finished; but incomplete technical preparations still hold up the improvement of the Port of Rangoon, which handles about 85 per cent of Burma's foreign trade. The road programme, which provides for a change in road designs and practice, and the institution of a system of road construction by local authorities, have not yet been started; preparatory work is proceeding on telecommunications, including telephones.

An ambitious power-development programme aims at rural electrification through a national grid system and the establishment of numerous hydro-electric power stations. The outlay is estimated at K 39 million in 1953/54 and nearly six times larger in 1954/55. Actual outlay by the Electricity Supply Board up to the end of March 1954 was negligible. A few hydro-electric projects are being examined, but no progress in construction has been reported.

TRADE AND PAYMENTS

Decline in reserves

Falling prices and a buyer's market in rice still dominate Burma's foreign exchange earnings; and the reserves, after reaching the peak of K 1,269 million in June 1953, have continued to decline until late 1954, standing at K 856 million at the end of August, or one third lower than in June 1953. By contrast, from 1949 to the end of 1952 they had continually increased. Increased foreign exchange expenditures, rather than reduced earnings, have been mainly responsible for this decline in reserves. Foreign exchange receipts totalled K 1,300 million for 1953, exceeding the 1952 total of K 1,240 million. In the first half of 1954 they were K 605 million, as compared with K 500 million in the previous half-year and K 800 million in the first half of 1953. If rice exports in 1954 reach about 1.4 million tons or more, total foreign exchange earnings in 1954 may exceed those in 1953.

Foreign exchange expenditures on the other hand rose continuously from K 840 million in 1951 to K 970 million in 1952 and to K 1,200 million in 1953. In the first half of 1953 they were K 510 million, rising to K 700 million in the second half and K 736 million in the first half of 1954.

Burma paid nearly K 84 million during 1954 on two large non-trade items, a debt settlement of £4 million to the United Kingdom Government and a payment of £2.5 million for its share in the Joint Oil Venture; and in addition agreed to offset £14 per ton out of the price of £48 in the Indian rice contract against its debt to India. Payments on private non-trade items fell from some K 120 million in 1952 and 1953 to an annual rate of K 80 million in the first half of 1954.

Exports

The exportable surplus of 1.5 million tons from the 1953/54 rice crop and substantial stocks carried forward from 1952/53 give an export availability of 2.3 to 2.5 million tons in 1954 against which Burma has contracted to deliver

900,000 tons to India, 300,000 tons to Japan, 200,000 tons to Ceylon, 40,000 tons each to the Ryukyus, Mauritius, and Indonesia and 80,000 tons to other destinations, totalling 1.6 million tons. Rice shipments up to 31 August 1954 were approximately 1 million tons. Shipments to India up to the end of September were slightly more than one-third of the contracted quantity of 900,000 tons, and efforts were being increased to send as large a proportion as possible during the year. To other countries shipments were either completed or likely to be completed within 1954.

The 1954/55 rice crop is expected to be at least as good as that of 1953/54, giving Burma an export availability of 1.5 million tons early in 1955. Prospects for 1955 depend mainly on rice prices, and quantity sold, particularly to India. Elsewhere some stability of rice export markets and foreign exchange earnings has been secured by the four-year rice contracts concluded with Japan, Ceylon, the Ryukyus and Mauritius and a three-year contract with Indonesia. Japan has agreed to take and Burma to supply, a minimum of 200,000 tons and a maximum of 300,000 tons each year through 1957 at K 666.7 per ton, subject to annual adjustment of price to world price changes. Ceylon will buy a minimum of 200,000 tons and a maximum of 600,000 tons per annum at prices falling £2 per ton each year until 1957. Mauritius and the Ryukyus will each buy 40,000 tons per annum, the Ryukyus providing Burma with a dollar income of over \$5 million.

Under its trade agreement, Burma has contracted to sell 150,000 tons of rice in 1955 to mainland China, 60 per cent of the value of which will be paid for in goods including machine tools and coal, 20 per cent in goods from eastern Europe shipped through mainland China, and the balance in sterling. The Prime Minister of Burma has stated that mainland China may become an even larger buyer of Burmese rice, and that the Government of Burma will be sending missions to several countries including the USSR, Japan, India and Malaya for promoting the sale of rice.

Because of slow recovery in production, other exports, such as metals and ores, timber, etc., are not expected to bring in more foreign exchange this year than last: in all, less than K 300 million.

Imports

Import value remained high in 1954; private imports (about 75 per cent of total value) increased from an annual rate of K 665 million in 1952 to K 750 million in 1953, maintaining the latter rate during the half-year January to June 1954.

A new Tariff Act effective 1 October 1953 brought about an important change in Burma's commercial policy by introducing a single schedule of duties uniformly applicable to imports from all sources and abolishing discriminatory tariffs, including the Indo-Burma Trade Agreement of 1941 and the Ottawa Trade Agreement of 1932, which gave preferential tariff treatment to Indian and Commonwealth goods. In giving effect to a uniform tariff structure, some non-preferential duties were reduced and some preferential duties increased. The new rates are designed to afford some protection to infant industries and to allow essential imports at reasonable rates. This measure has already begun to influence the pattern of import trade of Burma. As a result non-Commonwealth producers, notably from Japan and continental Europe, will in future have a more competitive position in the Burmese market.

There was no significant change in import control policy during the year. Non-dollar imports have increasingly been put on the open general licence since 1950.

Imports on government account have steadily increased from K 120 million in 1951/52 to K 203 million in 1953

and K 288 million in 1954 (estimated) owing to the purchase of equipment and machinery abroad.

Foreign exchange prospects have a crucial bearing on economic development in so far as the government is embarking on larger developmental outlays and may incur sizeable import surpluses, to offset the inflationary effects of domestic deficit financing. The price and volume of rice exports will be the major factor in exchange earnings, but account must also be taken of a possible reduction of imports through the expansion of domestic production of petroleum products, cement, sugar, jute bags, cotton yarn and steel products as the projects are completed and greater self-sufficiency is achieved. These gains, however, are unlikely to accrue before late 1956 or even 1957.

Favourable factors to take into account are reparations from Japan, and possibly expanded aid from the Colombo Plan and international loans. Reparation payments of \$25 million annually by Japan, \$20 million in goods and services and \$5 million in joint investments, should provide about K 120 million per annum—a substantial relief to the payments position. The United States ECA aid to Burma started in 1951 totalled about K 850 million when it ended by mutual agreement in 1953. The government may manage in 1954/55 to finance the probable import surplus without seriously dipping into the foreign exchange reserves. This, however, does not mean that Burma's foreign exchange position will be entirely comfortable or free from anxiety in the coming years.

PUBLIC FINANCE

A significant feature of the public finances of Burma has been a tendency towards an over-estimating of expenditures and an under-estimating of revenues. The government has planned continuously rising levels of capital expenditure on economic development, but actual expenditures have fallen short of the targets owing to inadequate preparation and technical and other bottlenecks. The result has generally been smaller budgetary deficits than planned.

The provisional figures for 1952/53 disclose a deficit of K 64 million as against an estimated deficit of over K 200 million. For 1953/54 the revised estimate discloses a deficit of K 287 million as against the budget estimate of K 384 million. Governmental expenditures in the first six months of 1953/54 were appreciably lower than the budgeted amounts. However, the shortfall in expenditure for the whole year is expected to be less than in 1952/53.

Revenue

Of total revenue, the contributions from the State-managed boards, particularly the State Agricultural Marketing Board (SAMB), have accounted for something like 45 to 50 per cent. Tax yields have been somewhat larger under improved economic and trading conditions, but tax structure and policy have undergone no significant change.

For the year 1953/54, the revised estimate discloses a substantial increase in revenues over the budget estimates, attributable partly to increased receipts under import duties, partly to payment of income tax and super tax by certain State-managed boards hitherto exempt, and largely to the substantial rise in revenue from State-managed boards.

For 1954/55 only minor changes in revenue are indicated, the only new measures being increases in the betting tax, postal rates, and in the excise duties on sugar, cigarettes and liquor. Contributions by State boards are larger.

Expenditure

During 1953/54 a substantial increase is indicated under investment, and loans and advances, the two items together

totalling K 506 million of capital outlay by government. For 1954/55 these two items together are at nearly the same level; however, if capital expenditures of State enterprises were included, total capital outlay would be much larger. Increases are also shown under defence and social services (while current expenditures have been kept at existing levels).

With more ambitious programmes of economic development, the capital expenditures of some 16 State-managed boards and corporations (excluding the SAMB) are estimated to increase from K 240 million in 1953/54 to K 660 million in 1954/55. Major increases include electricity, industrial development, housing, railways, and special (engineering) projects.

The deficits of these enterprises are estimated at K 260 million in 1953/54 and K 650 million in 1954/55. In 1953/54 loans from budget allocations financed nearly the whole of their deficits. In 1954/55 such loans will meet only about 40 per cent; the balance may have to come mostly from the Union Bank, since the State Agricultural Marketing Board, an important source of government finance, may not be able to provide funds on the same scale next year.

As at the end of June 1954, the actual expenditures incurred by many of these agencies fell considerably short of the budget estimates. The Industrial Development Corporation had spent only 44 per cent, the Electricity Board only 16 per cent, the Mineral Resources Development Corporation 22 per cent, and the National Housing and Town and Country Development Board 49 per cent of the appropriations for 1953/54. Their expenditures in the next eighteen months may appreciably increase but planned expenditures are not likely to be realized.

MONEY SUPPLY AND PRICES

In 1953/54 the domestic cash deficit, i.e. the excess of government payments to the private sector over its receipts from the private sector, is estimated at about K 700 million. This domestic cash deficit, however, is not expected to create equivalent inflationary pressures because it will be largely offset by an estimated excess of private imports over private exports of K 550 million, which will be paid for either out of the external surplus accruing to the government or out of foreign exchange reserves, or both.

Whether sizeable inflationary additions to money supply will be actually caused by government deficit or offset by import surpluses as envisaged, will depend upon the accuracy of two forecasts. First, government expenditures might fall short of target levels, while government receipts might meet or even exceed expectations, giving smaller domestic cash deficit of the government than that estimated. This is not unlikely. Alternatively, the foreign exchange assumptions might prove wide of the mark, and the government's surplus abroad might not come up to the target level.

However, trends in total money supply since the latter half of 1953 do not so far point to any significant inflationary tendencies. The total money supply after reaching the peak of K 1,400 million in June 1953 (coinciding with the peak in foreign exchange reserves in the same period), declined to K 1,160 million by February 1954. Later it increased to K 1,280 million by June. The major contractionist influence on the money supply has been net payments abroad, reflected in the decline in foreign exchange reserves. Offsetting this was the expansionist effect of net payments by the government to the private sector of the economy, caused by larger developmental expenditures. The seasonal expansion in the bank credit during the period January-April 1954 was smaller than in 1953 owing partly to the lower level of rice prices and the slack movement of exports

HONGKONG NOTES

HONGKONG'S PROSPERITY

One often hears that traders are not doing well and there is terrible unemployment. While it is true that hundreds of the 'marginal' merchants and thousands of brokers who call themselves by the dignified name of trader are suffering from the decline of business with China, and while unemployment is rising, the general state of economic affairs here is fairly prosperous and the air of luxury and opulence is still around. When comparing with other cities in the Far East, Hongkong appears very well off. The 'marginal' merchants have no real solid business, they depended on windfalls, on a few deals clinched during a lucky month. The new trade policy of Peking does not countenance such "parasites". Hongkong cannot offer such small traders—or whatever one may properly call them—a good existence. Unemployed people here are mainly immigrants from China who thought that it is better to live here, as an un- or under-employed person, than to vegetate in the New China. These people can return to their homes at any time, they are not political refugees as they often try to make foreigners believe.

during the first quarter of the year, and partly to a change in the State Agricultural Marketing Board's procurement policy which had the effect of substantially reducing the demand for seasonal funds by rice dealers from commercial banks. With the mildness of the busy season expansion and the commencement of the slack season in May, money conditions have remained fairly easy. Further changes in money supply will be dependent upon government expenditures on the one hand and external payments on the other.

The significant development in the price situation has been the general downward trend in response to the lower level of rice prices. The Rangoon consumer price index continued to decline, the fall between October 1953 and March 1954 being of the order of 15 per cent and the rise in the second quarter of 1954 being due to seasonal factors.

CONCLUSION

Burma has made appreciable progress in the preparation of developmental projects and the establishment of the machinery necessary for planning and implementation. The ground has thus been prepared for a larger scale of developmental outlay in the coming years. Shortage of administrative and technical personnel is a serious bottleneck. However, energetic efforts are being made through intensified technical training, participation of foreign enterprises, and other means to overcome it. The recent emphasis in policy on joint ventures with foreign concerns, and the engagement of foreign engineering and construction firms on contract for projects are important steps in this direction. The foreign exchange expectations of the earlier years may have proved somewhat optimistic and the coming year or two may witness a shortage of foreign exchange stemming from the reduced price of rice. However, the realistic and successful rice export policy of the government, in conjunction with the reparations from Japan and some measure of external assistance, which may become available, would enable Burma to tide over this difficult phase. The progress made so far and prospects for the future offer reasonable ground for optimism.

The prosperity of Hongkong is solid. Accumulated wealth is great indeed as shown in the incessant new buildings all over the place. As an indicator of prosperity we may only point to the incredibly large number of restaurants, tea rooms, public entertainment places, the number of motor vehicles, the elegant shops, the display of all the luxuries of the world in the ever-growing number of such shops and stores.

Macao has however declined and the people there are depressed and compared with Hongkong very poor. The population has been reduced because of the non-existing prospects of Macao, and today a little over 100,000 people live there. During the recent commemoration of Hongkong's liberation ten years ago, Rev. George She mentioned that fact, saying that when he was in Macao recently he could not help reflecting that the number of babies born here last year almost reached the total number of people estimated to live now in Macao.

Rev. She also said some true things about Hongkong, namely: Looking at the Colony as a whole, one cannot but feel a sense of pride in the immensity of the improvements which are seen in nearly every direction. And these improvements were achieved in the face of an unprecedented influx of refugees. Hongkong during the decade under review rose from a seaport to a metropolis, from a city to a city-state, from a community of shop-keepers and middlemen to an industrial centre manufacturing products which reach to the ends of the earth. Year after year, our budget yields a surplus and this in spite of an embargo on trade; and a low, perhaps too low, tax on incomes and profits. We have reason therefore to be thankful to Almighty God that we had with us for the greater part of this momentous decade, one of the wisest and tenderest Governors in the history of the Colony.

FORMOSANS IN HONGKONG

About 1500 natives of Formosa live in Hongkong (including some 250 in Macao) quite a few of whom are of mixed Formosan-Japanese ancestry. Many do not possess travel documents as they wish to have nothing to do with the Chinese regime now ruling their country. The majority of the Formosans prefer to have no political affiliations but they have sympathised with the emancipation league which was a political organisation of exiles from their island advocating independence. There are hardly any among the 1500 Formosans who would vote, if they were allowed to do so, for the continuation of Chinese dominion, be it under the Kuomintang flag or under the communists from Peking. There are even more Formosans who express themselves in favour of establishing some political, and in any event an economic, union with Japan than with China. Pro-communists exist among the Formosans just as they do among other nations; but these people also insist on independence and do not approve the Peking system of 'autonomy' as they do not trust the centralists of Peking. The spirit of the deceased patriot Joshua Liao is still very much with the younger Formosans, and the organisation which the Liao brothers with their friends built up after Formosa was, against the principle of self-determination of all nations, turned over to the initially very ruthless rule of Nationalist China, is being consolidated; not so much in Hongkong where any political activity is frowned upon by the local

authorities, but in Japan and in other Asian countries, and in the US, where small colonies of Formosans manage to live.

In Hongkong the Formosans are engaged in commercial business on their own, hold jobs in trading firms, act as agents for overseas firms, often for Japanese interests, and there are also a few senior students. Quite a few are connected with the fishing industry. Smuggling is not neglected; and that includes also gold transports. Under the guise of doing business there are also some undercover agents from China endeavouring to gain favour with the Formosans and make them 'appreciate' the policies of People's China. Pro-KMT Formosans, which are very rare, have been enrolled by Chinese agents of Chiang Ching-kuo, the Generalissimo's powerful son, not so much to influence locally domiciled Formosans but to obtain information and to cause patriots to keep quiet so as not to embarrass additional-ly the international position of the KMT government.

HONGKONG-CHINA TRADE AND EMBARGO

The US Consul in charge of economic matters, Mr. R. Hunt, was given before his departure for the US a dinner by the Chinese Chamber of Commerce and was also delighted with a speech by the chairman of the Chamber (Mr. Hui Pee-koon). The speech was concerned with the effects which the UN embargo on trade with communist China had had on Hongkong, in the opinion of the chairman of the Chamber. The text of the speech follows:—

Looking back over the tendencies of trade during the past few years, we perceive that soon after the outbreak of the Korean War, Hongkong's trade was very badly affected by the embargo on the export of strategic goods from the Colony. The downward tendency continued throughout all these years. Even now the chances of recovery are still very remote. Needless to say, the losses suffered by the merchants of Hongkong were great. For this reason we members of the Chamber wish to express our most earnest hope that Mr. Hunt will point out most effectively to his government, upon his return, that traders are still feeling the effects of these trade restrictions and are most hopeful of their early lifting to permit a resumption of normal trading relations in all directions.

We know the Hongkong Government's grave concern about this diminution of trade in the Colony. That was why, a few years ago, it sent the Director of Commerce and Industry, on an important mission to the United States, the object of which was to negotiate for the removal or relaxation of the trade restrictions. This event alone is sufficient to testify to the truth that the lifting of the embargo is one of the most effective ways whereby recovery and development of Hongkong's trade may be achieved. This being a matter in which the Hongkong merchants are most vitally interested, we sincerely hope that Mr. Hunt will do his utmost to assist us.

Mr. Hunt then replied by first deplored that he had to leave Hongkong and then he added some customary praise in honour of his hosts, namely: I am taking away with me indelible impressions of the wonderful ability of the Chinese businessman of Hongkong, his ingenuity, and his capacity for hard work.

On the controversial question of the China trade embargo Mr. Hunt then had to say the following:—I can well understand the disappointment many traders experienced when it became necessary to impose restrictions, owing to Communist aggression in Korea, on the export from the United States of materials which they were accustomed to bring into Hongkong for re-export to certain areas. It is hoped for the early removal of the conditions in those areas, which brought about the need for controls, so that trade may again move into higher gear. No one likes to see restrictions on trade and least of all a person who is trained to promote his country's trade, as I have been. Unfortunately, certain conditions arise from time to time which make it

necessary to impose restrictions. I can assure you that traders in Hongkong who are entitled to receive United States goods and services will receive those goods and services and that there is no intention to impose unnecessary restrictions.

It has not been mentioned by the two speakers that Peking imposed trade restrictions in the course of its socialisation program, and that a new trade policy has been adopted soon after the establishment of the People's Republic, aiming as it does at trading directly, obviating middlemen and so-called entrepôts, severely controlling imports and boosting, at any expense of the people, exports. If the China traders of Hongkong are feeling the effects of that policy of Peking, they should perhaps address themselves to the People's Government. But that Government cannot be expected to turn a sympathetic ear to requests of merchants, even if of Chinese nationality. The US Government has tried to be as helpful as possible—and with its promotion of Hongkong's tourist trade and the declaration of Hongkong as a U.S. naval and military rest and relaxation centre, Washington has materially contributed to the prosperity of the people living in this British colony.

HONGKONG'S TRADE WITH THE UNITED STATES

Local manufacturers, exporters, and importers paid warm tribute to the departing US Economic Consul, Mr. Ralph Hunt, for his help in promoting HK-US trade and goodwill. According to the President of the Chinese Manufacturers' Union, Mr. Hui Ngok, when US enforced the China embargo, HK was subject to intensive controls and local manufacturers were unable to get any raw materials from America. It was through Mr. Hunt's efforts that the restrictions were sufficiently relaxed to permit bona fide users in Hongkong to get raw materials from US. Speaking on the supply of black plate to HK at a dinner held in his honour by the HK Enamelware Manufacturers' Association, Mr. Hunt disclosed that soon after controls were introduced, some firms applied for hundreds of tons to make baby cribs (when none seemed to be required before); thousands of tons to line junks inside and outside (an apparently unheard of practice) and for various other uses. However, these "enterprising" persons were identified, with other and more realistic pursuits which denied them of all licensing privileges.

Mr. Hunt advised local exporters and manufacturers to call and discuss the subject of exporting HK products to US with the Economic Department of the US Consulate. According to his observation, many local products which were displayed at the last Seattle Trade Fair, have good chances of finding a market in America. He promised that during his forthcoming discussions with businessmen and trade groups in US, especially in West Coast cities, he would inform them of the increased opportunities for buying in this market, as well as selling.

NEW VESSEL LAUNCHED

The 6,580-ton mv Chengtu, sister ship of the mv Chung-king, built for the China Navigation Co., Ltd., was launched at the Taikoo Dockyard last week. The Chung-king, fitted with Taikoo Dockyard's first Doxford oil engine, commenced service in May this year. According to Mr. R. B. Bell, Manager of the Dockyard, the Chengtu is the 36th vessel built by Taikoo for the China Navigation Company. She has an overall length of 422'2"; a breadth of 55'9"; and a depth (to upper deck) of 33'6". Designed for a service speed of 14½ knots, the Chengtu is propelled by a 67LB Taikoo-Doxford reversible oil engine, developing five-200 I.H.P. at 115 r.p.m. The engine, equipped to burn Diesel fuel or heavy boiler oil is one of the largest built to date in Hongkong and as far as is known the highest powered

Doxford built so far in the Far East. Her cargo carrying capacity is 350,000 cubic feet. She also has comfortable accommodation for a crew of 59. Taikoo Dockyard has a large repairing service which is not at present fully employed. Mr. Bell stated that competition was keen, both local and foreign, but the Yard was making increased endeavours to attract more work.

LABOUR EMPLOYMENT

At the end of March, 118,568 persons (including 44,899 women) were employed in local industrial establishments. The figure represents an increase of 3,115 over the total for the preceding quarter. During April-June, the fluctuations in employment levels were few and there was full employment in the spinning, rubber shoes, plastics, garment-making, torch-bulb, woollen and fabric glove industries, and in some sections of the metalware industry. Some under-employment was recorded in the enamelware, knitting, cotton and silk weaving, button, tea-blending and candle-making industries. According to the Commissioner of Labour, the old established sections of the knitting and weaving industries, which are mainly Cantonese-owned, have not been sufficiently re-organised to stand up to the competition from overseas manufacturers and more efficient local factories.

Employment in the weaving industry is dropping, whilst employment in the knitting industry is unsteady due in part to trading restrictions in Southeast Asia. The shipbuilding and repairing, cotton spinning, torch-bulbs, metalware, hand-torches and rubber-shoes industries showed increases; while the weaving, enamelware, food manufacture, printing and motion picture industries showed decreases.

During the quarter, 146 factories applied for registration; 509 certificates were renewed; 96 certificates issued and 53 cancelled. 19 applications were refused and the premises closed down. 35 unregistered factories operating in unsuitable buildings were also closed down. At the end of the quarter, 1,913 factories were registered representing an increase of 200 over the corresponding period of last year.

BUILDING AND PUBLIC WORKS PROJECTS

An eight-storey building will be erected in Shamshuiipo, Kowloon, to provide office accommodation for the various Government departments. The site of the new Government offices is at Un Chau Street next to the existing Health Office. Construction will begin at the end of October and the building should be ready for occupation in July next year. The ground and mezzanine floors will be occupied by the new Branch Post Office. During April-June this year, 40 new projects were completed and 63 started by the Public Works Department. Works completed include the Remand Home at Mau Tau Kok, the Shek Wu Hui Market, resettlement buildings at Tonkin Street, the new Tsan Yuk Hospital, the roof to the Sookunpoo Sports Stadium, extensions to the Police Training School, and various water supply projects and drainage works. Many roads in different parts of the Colony were either reconstructed or resurfaced. Among new works in hand are the Queen Elizabeth School, the Tsun Wan Clinic, a 24-inch sewer in Un Chau Street and a 75-inch stormwater drain in Po On Road, the building of a rubble mound at Gin Drinker's Bay, and the new Government Printing Workshop at North Point. Work on

the seawall and reclamation at Kun Tong has reached the half-way stage. Site development has started at Tai Wan Hill for the erection of multi-storey resettlement buildings. The new Kowloon City Ferry Pier is nearing completion. The construction of a bridge at Tsun Wan has started. Progress is being made on the building of three service reservoirs at Kau Wa Kang, Ma Tau Wei and Diamond Hill respectively.

According to the Director of Public Works, working drawings are in hand for the Fanling Police Quarters, Tsun Wan School and extensions to the Grantham Training College. Sketch plans are being prepared for the third stage of the constructional work on the new Government Offices and Secretariat. Projects for which working drawings have been completed include the Saikung Dispensary, Chronic Ward and Quarters of the Ping Shan Hospital, District Branch Office at Shamshui po and a garage at Kai Tak Airport. The Architectural Office has also completed sketch plans for a fire station at Sheung Shui and extensions to the Royal Observatory. During the quarter, a total of 587 plans covering 946 buildings were received and 1,368 plans covering 2,329 buildings were approved by the Buildings Ordinance Office.

HONGKONG'S NEW AIRPORT

Work on the new \$90½ million Kai Tak Airport Improvement Scheme in Kowloon Bay has commenced and according

to the Managing Director of the Societe Francaise d'Enterprises de Dragages et de Travaux Publics, the dredging of over 12 million cubic yards of materials and depositing them to form the bed of the new runway will take three years. About 2,000 local labourers will be employed in the work. Messrs. Gammon, Ltd. will undertake land excavation and the construction of the runway and other works on the reclamation, while the French firm will undertake the marine work—including the dredging of more than 12 million cubic yards of sand from Kowloon Bay to form the bed of the runway.

BERYL IN HONGKONG

The Far Eastern Prospecting and Development Corporation, Ltd. last week announced that the actual price of beryl discovered here was in the vicinity of US\$400 a ton depending upon the content of beryllium oxide (BeO) it contains. Several samples of the HK ore have been analysed abroad and the average BeO content has been high—an overall minimum of 11%. The current price in the US is \$400 per ton for 10% ore. The beryl deposits here were discovered by a 28-year-old British regular soldier Corporal Harries, who has recently purchased his discharge from the Army. According to the Far Eastern Prospecting and Development Corporation, which has prospecting rights of the ore, Mr. Harries is helping them with the prospecting work.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week 29th August to 3rd September:

U.S.\$				
T.T.	T.T.	Notes	Notes	
Date	High	Low	High	Low
29/8	5584	5583½	5581½	5581¼
30/8		Holiday		
31/8	5583½	5582½	5581½	5580½
1/9	5584	5583½	5581	5580%
2/9	5583½	5583½	5581	5580%
3/9	5583½	5583½	5581	5580%

D.D. rates: High 552 Low 551¼.

Highest and lowest rates for the month of August were for T.T. \$5584 and 552½, and for Notes 552½ and 550½.

Trading totals for the week: T.T. US\$1,380,000, Notes for cash US\$359,000, forward US\$1,190,000, D.D. US\$285,000. The market was very quiet with little fluctuation; business further reduced. In T.T. sector, offers continued from Japan, Korea and Thailand; demands from gold and general importers. In Notes, shippers took advantage of bigger difference between T.T. and were buying cash notes, and sold T.T. to take their profit; speculative activity was practically nil. In order to promote more speculative business, a suggestion has been put forward to enlarge the trading unit from US\$1,000 to US\$5,000, and this is now under consideration by the executive committee of the Exchange. Interest favoured sellers and amounted to

\$2.60 per US\$1,000. Positions figured at a daily average of US\$2½ millions. In D.D., the market remained quiet; inward remittances slowed down.

Yen and Piastre: The forward market continued sluggish. Cash quotations were: \$1,425 per Yen 100,000, and \$885—855 per Piastre 10,000. The marked recovery of the Piastre was noted. Interest for change over favoured buyers at \$9.94 per Yen 100,000 and \$8.50 per Piastre 10,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.97—1.905, Japan 0.0144—0.01425, Malaya 1.879—1.877, Indochina 0.0914—0.0813, Thailand 0.26—0.244. Sales: Pesos 310,000, Yen 110 millions, Malayan \$250,000, Piastre 8 millions, Baht 4½ millions. The market was quiet. Trading of Indonesian Rupiah was not recorded; there was again a rumour about the possibility of its devaluation in the nearest future.

Chinese Exchange: Official rates of People's Bank notes remained unchanged at 0.427 per HK\$ and 6.839 per £ Sterling. Cash notes quoted \$1.85 per Yuan. Official rates of the Taiwan Dollar notes also unchanged at 15.65—15.55 per US\$ and 2.74—2.72 per HK\$. Cash notes quoted \$178—170 per thousand, and remittances 158.50—155.00.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.58—15.53, Australia 12.10—12.05, New Zealand 13.70—13.65, Egypt 14.80—14.70, South Africa 15.38, India

1.1725—1.16625, Pakistan 1.02—1.00, Ceylon 0.96, Burma 0.65, Malaya 1.84—1.836, Canada 5.865—5.86, Philippines 1.98—1.96, Macao 1.03—1.025, Switzerland 1.35, France 0.0155—0.0154, Indonesia 0.125—0.12, Thailand 0.253—0.237.

Gold Market

Date	High .945	Low .945	Macao .99
29/8	\$252½	252½	
30/8	252½	252	Low 262
31/8	252½	252	
1/9	252½	252	
2/9	252½	252½	
3/9	252½	252½	262½ High

The opening and closing prices were \$252½ and 252½, and the highest and lowest were \$252½ and 252. The highest and lowest for the month of August were 253½ and 251½.

The small fluctuation made the market so quiet that speculators were practically all standing aside, only importers and exporters were trading. Like in US\$ notes market, the Exchange is considering to increase the trading unit from 10 taels to 100 taels and to change the trading quotations to sixteenths from eighths. This proposal may increase the business of the Exchange to a certain extent, but such increase cannot be expected to last. Value of seats in the Exchange dropped further to \$6,000 per seat; seats changed hands at \$8,000 some months ago. Interest for change over in forward favoured sellers and totalled \$1.05 per 10 taels of .945 fine. Positions figured at 24,000 taels per daily average. Tradings amounted to 18,100

taels or a daily average of 3,620 tael. Cash sales amounted to 23,920 tael (4,420 listed and 19,500 arranged). Imports were mainly from Macao and totalled 15,500 tael. Exports totalled 14,000 tael (8,000 to Singapore, 4,500 to Indonesia, 1,500 to Rangoon). Differences paid for local and Macao .99 fine were \$11.90—11.80 and 11.70—11.60 respectively per tael of .945 fine. Cross rates were US\$37.75—37.74. Contracted import price was 37.75 C.I.F. Macao (but nothing concluded).

Silver Market: Exporters continued to acquire small quantities which caused prices to improve slightly. Bar silver quoted \$3.95—3.94 per tael with 1,500 tael traded, \$ coins 3.85—3.83 per coin with 2,500 coins traded, and 20 cent coins 2.96—2.95 per five coins with 1,000 coins traded.

HONGKONG SHARE MARKET

The market was not very cheerful last week. Nine out of 22 stocks were dead steady on the week and the total turnover amounted to only about \$4 million. Big operators adopted the "wait and see" attitude. Most of the popular shares registered slight fluctuations. However, by the end of the week, prices were steady. **Monday:** With the indecisive trend continuing the market was dull and the volume of trading small. Apart from Hotels, which moved fractionally higher, there was no special feature to report. The turnover amounted to approximately \$660,000. **Tuesday:** Holiday. **Wednesday:** Trading was on a light scale during the half day session but the undertone of the market appeared to be a shade steadier although there was little change in rates. The turnover amounted to approximately \$750,000. **Thursday:** Sales covered a wide distribution of stocks and as a result turnover amounted to \$1,330,000. Price changes either way were registered but they were only fractional. The tone of the market was steady. **Friday:** The market ruled steady in another day of quiet trading. With buyers still adopting a cautious attitude, rates registered only small changes either way during the week. The turnover for the day amounted to approximately \$1,020,000.

Hongkong Stock Exchange in August

Announcement on the 3rd August that overdrafts interest would be increased had a dampening effect on a buoyant note on the first business day of August and curtailed the daily turnover for the month in addition to curbing prices which, generally, showed recessions. The market moved erratically during the month but steadied down at lower rates.

Hongkong Banks continued in demand and shares were dealt in from \$1,885 to \$1,725. Lombards were enquired for and transacted from \$57 to \$55. Unions came to business be-

tween \$1,070 and \$1,000. Wheelocks recovered lost ground late in the month. Docks and Wharves were enquired for at lower rates and China Providents, after being dealt in at as low as \$15 recovered to \$15.80. Lands and Hotels registered a fair volume of business at low rates. Lands were dealt in at as low as \$71 but climbed to \$73 and \$73½. Hongkong Hotels were done at \$16.90 the lowest price for the month, closing steady at \$19.30. Public Utilities fluctuated greatly during the month but at the close were steady to firm at lower rates. Cements came in for attention at lower rates and a large number of shares changed hands. Stores were in demand and Lane Crawfords dealt in at improved rates. Yangtzes and Allied Investors were again popular but closing rates were below prices at the beginning of the month. Cottons registered only moderate trading. Prices of Rubbers generally followed raw rubber quotations in fluctuations.

Dividend announcements were made by Hongkong Land Investment & Agency Co., Hongkong Tramways, Star Ferry Co., Hongkong Electric Co. and Kwong Sang Hong. Sungala Rubber Estate announced a proposed Bonus Issue.

Business reported during August: \$36,412,969. Business reported in 1954: \$251,976,029. Business in Jan-Aug. 1955: \$250,650,804. Business reported August, 1954: \$20,153,302.

Business During August

	Qty. of Shares
H.K. Govt. Loan 3½% (1948)	\$35,000
H.K. Bank	1,374
H.K. Bank (Lon. Reg.)	125
Bank of East Asia	78
Lombard Insurance	1,590
Union Insurance	446
Indochina (Def)	100
Union Waterboats	1,300
Asia Navigation	5,300
Wheeloock Marden	250,400
Wharf Co.	2,000
Sh. & Hongkew Wh.	2,003
C. Providents	44,849
H.K. Docks	18,750
Shanghai Docks	7,725
H.K. & S. Hotels	185,950
H.K. Lands	26,531
Shanghai Lands	1,000
Humphreys (O)	2,400
Humphreys (N)	1,000
Realty	243,525
H.K. Trams	53,000
Peak Tram (F. Pd.)	100
Star Ferry	3,500
Yaumati Ferry	12,707
China Lights (F. Pd.)	115,969
(P. Pd.)	63,141
H.K. Electric	79,294
Macao Electric	3,500
Telephones	116,048
Cements	90,527
Ropes	1,200
Metal Industries	4,000
Dairy Farms	74,715
Watson	3,606
Lane Crawford	6,978
Sincere	54
China Emporium	300
China Entertainment	2,200
Vibro Piling	7,580
Yangtze	59,410
Allied Investors	53,900
Textiles	9,000
Nanyang Mill	25,550
Rubber	
Amalgamated Rubber	621,524
Ayer Tawah	700

	Qty. of Shares
Java-Consolidated	55,083
Langkat	11,050
Rubber Trust	173,430
S'hai Kelantan	29,000
Sungala	5,588

AUGUST TRADE REPORTS

According to the trade figures published by the Department of Commerce and Industry, Hongkong's trade during August amounted to the value of \$515,498,762 (Imports: \$297,051,251; and Exports: \$218,447,511). Compared with trade figures for the previous month, Imports improved by \$26,610,445 and Exports up by \$28,185,887. The cumulative total for the first 8 months of this year is \$4,004,785,896; representing an increase of \$247,958,217 over that for the same period in 1954. Korea remained keen in various European, American, and British products but bulk transactions were limited by short stocks and low buying offers. Japan provided strong demand for China produce. Southeast Asia sent here numerous orders for various re-exports and local manufactures. Taiwan shipped here more staples but bought very little in return. China made only selective purchases in the local market when prices were attractive. During the month, popular items of China produce, metals, and paper enjoyed steady overseas and local demand. Industrial chemicals attracted enquiries from various sources. Cotton yarns were firm but cotton piece goods and pharmaceuticals were sluggish.

TRADE DEVELOPMENTS

Regulations and Restrictions: Hongkong Government temporarily banned the import of coal in order to reduce the stock-pile totalling about 50,000 metric tons. Monthly local consumption is about 16,000 metric tons. Effective as from October 1, consular invoices will no longer be required for exports of HK products to the United States. Australia required all HK products to be clearly marked "Made in Hongkong" in as permanent a manner as possible. The Australian Customs will not pass any goods marked "Empire Made".

Freight Rates: As from October 1, the tariff rates for HK's exports of groundnut oil to the Pacific coast, and other items to Australia will be increased or partially readjusted.

China Trade: China and Egypt signed a 3-year trade agreement together with a protocol for the first year. The volume of trade for the next 12 months would reach £20 million. The first transaction under the agreement consists of 15,000 tons of Egyptian cotton against 60,000 tons of Chinese rolled steel. To Southeast Asia, China shipped substantial quantities of staples and light industrial products. The trade agreement between China and Finland covers 60 million ruble worth of goods each way. Ceylon sent a trade delegation to Peking to re-adjust prices of rubber and rice. Meanwhile, Peking

was planning to deliver 108,000 tons of rice to Colombo from Burma instead of from China. Under the rice-rubber trade pact, China has to ship 120,000 tons of rice to Ceylon this year. During the visit of members of the Japanese Diet Delegation, Peking advocated, "Without foreign trade Japan will have economic difficulties that are hard to overcome. Since China is a country with which big trade is possible, it is certain that the economic difficulties of Japan will be solved to no small extent if it cooperates with China economically."

Taiwan Trade: Taiwan sent here large shipments of tea, feathers, citronella oil, camphor products, live hogs, fruits, and other staples but made only selective purchases of metals and industrial chemicals in return. To promote exports, Taiwan re-adjusted prices for tea, camphor products, and feathers. From Japan, Taiwan purchased \$17 million (284,000 tons) worth of chemical fertiliser. Delivery will be made before July next year.

Japan Trade: As a result of the heavy arrival of Japanese woollen goods, cement, metals, cotton piece goods, sugar, paper, and sundries during the month, local dealers slowed down indent bookings of these products by the end of the month—particularly those items which had advanced far above local price levels. The re-export of Japanese goods to Southeast Asia was seriously affected by Japan's direct trade with some of the countries in this area. Meanwhile, Tokyo suspended operations in foreign exchange with Korea.

Korea Trade: After the last sale of US\$1,267,400 (average rate: 729 Hwan to \$1), the auction of US military aid funds was suspended; and the new rate of 500 Hwan to \$1 was announced by Seoul. The Government has earmarked \$7.5 million for various imports. This allocation is being sold to importers in Korea through the South Korean Bank at the official rate of 500 Hwan to \$1. Following the ban on travel between Korea and Japan, Seoul ordered a halt to all trade with Japan. Meanwhile, Washington announced that some \$40 million worth of US aid goods for Korea being produced in Japan would not be affected by the ban. As a result of Seoul's new attitude towards Tokyo, local firms received more enquiries from Korea for various exports. Orders from Korea cover 2,000 tons of wheat flour in addition to substantial quantities of paper, metals, industrial chemicals, pharmaceuticals and other commodities. Trading, however, was limited by stock shortage and increased cost—particularly in the case of paper. Seoul also announced new regulations governing the imports from here of items not manufactured locally in order to prevent the infiltration of Communist goods into Korea through this port.

Indonesia Trade: Djakarta suspended imports financed with self-provided foreign exchange. Import licences already approved were still valid. Shipments

during the month were heavy consisting mainly of HK products such as cotton yarns, garlic, flashlight batteries, shirts, underwears, and sundries. Djakarta also announced that applications for the new fiscal year's foreign exchange allocations would be accepted as from September 1. Re-exports of Japanese goods to Djakarta slowed down as a result of the development of Japan's direct trade with Indonesia.

Burma Trade: Large exports of rice to Japan, Ceylon, and India enabled Burma to import more from various countries including Hongkong. More than 300 items (including cotton piece-goods, paper, machinery, automobile and spare parts, pharmaceuticals, construction materials, and photographic supplies) can now be imported into Burma without licensing. Rangoon also allocated foreign exchange amounting to 2 million kyats for wheat flour and invited tenders for the supply of condensed milk and embroidery threads. Under the Burma-China trade agreement, China sent large quantities of industrial equipment and general merchandise to Rangoon. This affected the exports of these items from here to Burma. Shipments from Hongkong to Rangoon consisted mainly of Hongkong manufactures such as enameware, underwear, piece goods, shirts, towels, bed-spread, vacuum bottles, felt hats, cotton stockings, and canned food.

Malaya Trade: The direct trade between Malaya and Japan curtailed the re-exports of Japanese goods from here to Malayan ports. China also sent more exports direct to Malaya. This affected Malaya's purchases in the local market.

Thailand Trade: Bangkok sent here more orders for structural steels, paper, cotton textiles, paints and other HK products as a result of the increased shipments of Thai rice and other staples to Hongkong.

Indochina Trade: The US economic aid to the three South Vietnam Associated States—South Vietnam, Cambodia, and Laos was increased to US\$425 million. Shipments to South Vietnam during the month consisted mainly of Hongkong manufactured goods such as cotton yarn and textiles, enamewares, shirts and underwears, vacuum bottles et cetera.

The Philippines: Authorities in the Philippines enforced a 50% cut on imports of non-essential consumer goods. With the exception of textiles, producer items are exempted from the new measure.

COMMODITIES

China Produce: China, Southeast Asia, Taiwan, and India kept the local market supplied with various popular items. On the other hand overseas and local demand remained strong throughout the month stimulating the prices of woodoil, peppermint oil, cassia lignea, silk waste, feathers, rosin, menthol crystals, garlic, and tea. Citronella oil advanced further with increased indent quotation and low stock. On account

of heavy arrivals from China, groundnut oil failed to improve in the local market despite the marked-up Indian indent. Sesame first registered gains on strong demand from Japan, Canada, Korea, and local factories, but selling pressure depressed the market by the end of the month. At the beginning of the month, raw silk was stimulated by advanced indent and orders from Japan, Europe, and Southeast Asia. The market then slowed down when China marked down export quotations but later recovered with renewed overseas demand. As a result of heavy purchases by Southeast Asia and Middle East, dried ginger and chilli dwindled in stock and improved in price. Soya beans registered steady sales to Japan, Southeast Asia, and local food producers but heavy supply from China prevented gains. Other popular items of the month were aniseed oil, teaseed oil, mustard seed, linseed, aniseed star, egg products, hog casings, silk waste, spun silk, hog bristles, tumeric, gypsum, green peas, red beans, and maize.

Metals: Overseas demand was selective throughout the month with interests centred in factory items and Hongkong manufactured structural steels. The market, however, was active with orders from local factories for blackplate waste waste, and other metal sheets and plates. Mild steel round and angle bars, blackplate, blackplate waste waste, zinc boiler plate, mild steel plate, copper sheets, zinc sheets, and brass sheets, registered gains on dwindled stocks and advanced indents. Trading was then limited by low buying offers. Galvanized iron sheets first improved on marked-up indent, later depressed by heavy arrival from Japan but by the end of the month recovered on strong local demand and enquiries from China. Other popular items with firm prices were tinplate, brass rod, piano wire, scrap iron and brass.

Paper: Korea's demand for European and American goods exhausted stocks of woodfree, newsprint in reels and reams, M.G. cap, unglazed kraft, M.G. white sulphite, and transparent cellulose paper. As a result, these items advanced considerably in the local market. On the other hand, indent quotations for these items from Europe and America advanced further, making it unprofitable for local dealers to book more supplies. Trading was therefore limited in volume. There was also a shortage of newsprints from China. Japanese woodfree was stimulated by orders from Indochina. Strawboard, however, was depressed by heavy arrival from Japan and China.

Industrial Chemicals: The market was very quiet at the beginning of the month but later activated with improved local and overseas demand. There were, however, more enquiries than orders from Korea, Indochina, China and Taiwan. Dwindled stocks stimulated caustic soda, calcium hypochlorite, copper sulphate, sodium sulphide, ammonium bicarbonate, gum copal, montan wax, glycerine, rosin,

and borax crystal. Caustic soda of Chinese origin failed to improve due to heavy supply from the Mainland. Other popular items of the month were soda ash, bleaching powder, sodium nitrate, sodium bicarbonate, sodium cyanide, lithopone, formalin, potassium ferricyanide, gum arabic, tanning extract, rongalite C lumps, boric acid, acetic acid, shellac, zinc oxide, and stearic acid.

Pharmaceuticals: With the exception of small orders from Southeast Asia, Taiwan, and Korea, the market was quiet. Prices of popular items were steady on account of low stocks. Orders from overseas covered penicillin preparations, isoniazide powder, sulphonamides, quinine powder, aspirin powder, phenacetin, PAS, neosalvarsan ampoules, saccharine crystal and saccharine lactose. Despite low stocks and attractive offers from production sources, local dealers made only a few indent bookings.

Cotton Yarns: Orders from Korea, Southeast Asia and UK will keep local mills busy for the next few months. Local stock was low. As a result, prices were firm inspite of the slow local demand. Indian yarns and Japanese goods also registered steady prices.

Cotton Piece Goods: Orders from overseas were placed direct with local mills. Trading in the local market was sluggish. Japanese white shirtings, however, enjoyed good demand from Indochina. Chinese products declined under heavy arrival.

Rice: Large quantities arrived from various supplying countries during the month. Local demand was steady and Thai products registered gains on increased indents. Turnover for the month totalled over 112,000 bags.

Wheat Flour: Increased cost of American, Canadian, and Australian products plus strong demand from Indochina and Korea stimulated the local market. Local consumption also improved with the approaching Moon Festival. Prices of various products were very firm by the end of the month.

Sugar: Demand from Indochina, Korea and Thailand rescued Japanese products from the initial decline. Taiwan sugar remained firm on low stock. Taikoo refined enjoyed improved demand from Singapore and local food producers. By the end of the month, prices of various products were further stimulated by speculative buying.

Cement: Inspite of the heavy arrival from Japan, indent offers from Tokyo improved to \$119 per ton cif HK. Local demand remained very strong.

COMMODITY PRICES ON AUGUST 31

(First Part; to be concluded in the next issue of Sept. 15)

CHINA PRODUCE

Anised Star: Kwangsi, export packing, \$83 picul. **Cassia Ligneae:** Kwangtung/Kwangsi, 1-cwt bale, \$56.60 picul; 80-lb bale, \$53 picul; in bulk, \$51 picul.

Dried Albumen: Tientsin, 7s 2d per lb c & f Europe. **Whole Egg, Melange:** Tientsin, 5s 8d per lb c & f Europe. **Duck Feather:** Hongkong processed, N.N. grade, \$500 picul. **Goose Feather:** Hongkong processed, GGS 90%, \$620 picul. **Garlic:** Not Toasted, Kwangtung 1st quality, \$34 picul. Toasted, Kwangtung A grade, \$53 to \$69 per picul. **Gypsum:** Hupeh, white, \$7.70 picul. **Hog Bristle:** Tientsin, No. 55, black, 30s 3d per lb c & f Europe; Hankow, No. 17, black, 24s 11d per lb c & f Europe. **Raw Silk:** Canton, white steam filament, 20/22 denier, AAA grade, \$3,440 picul; A grade, \$3,350 picul. Canton, natural, 22/24 denier, \$2,570 picul. **Dried Chili:** Honan, \$95 picul; Szechuan, \$95 picul; Yunnan, \$72 picul. **Rosin:** Kwangtung, AA grade, \$1,109 per metric ton; A grade, \$1,092. **Sesame:** Hankow, white, forward, \$95 picul; Thai, black, \$67 picul; Vietnam, black, \$65 picul. **Mustard Seed:** North China origin, £60 per metric ton cif Japan. **Linseed:** North China origin, £54 per metric ton cif Japan. **Silk Waste:** North China origin, A grade tussah silk waste, 74d per kilo cif Japan. **Spun Silk:** Shanghai, 8s per kilo c & f Japan. **Black Tea:** Taiwan, BOP, \$325 per picul; Kwangtung, Luk Po, 2nd quality, \$250 picul. **Green Tea:** Taiwan, Chun Mee, \$260 picul; Foochow, Sui Sin, \$560 picul. **Aniseed Oil:** In drums, \$1,870 per picul. **Cassia Oil:** 80-85% in drum, \$1,450 per picul. **Citronella Oil:** Taiwan, \$10.27 per pound. **Peppermint Oil:** Shanghai, \$27.50 per pound, 31s 6d. per lb c & f Europe from Shanghai. **Tea-Seed Oil:** In bulk, £112 per ton cif London. **Woodoil Refined:** Spot, in drum, \$174 per picul; in bulk, \$169.50 per picul. **Forward:** in drum, £185 per ton cif Japan; in bulk, \$166 picul. **Galangal:** Kwangtung, \$24 picul. **Dried Ginger:** Szechuan, whole, \$104 per picul. **Maize:** Thai, red, forward, \$21.30 picul. **Menthol Crystal:** Shanghai, \$39.50 per pound. **Black Bean:** Shanghai, \$58 picul; Manchuria, medium, \$42.50 picul. **Red Bean:** Shantung, 1st quality, \$91 picul. **Soya Bean:** Dairen, old stock, \$43.50 picul. **Green Peas:** Anhwei, 2nd quality, \$33 picul; Hankow, 2nd quality, \$26 picul; Middle East, \$29 picul. **Groundnut Oil:** Indian, 1% FFA, \$110 picul; Sept forward, \$110.50 picul. **Thai:** in drum, \$127 picul. **Chinese, Canton, drum excluded, 4-week forward:** \$112 picul. **Tsingtao, drum excluded, 3-week forward:** \$112 picul.

PAPER

Transparent Cellulose Paper: 30 gr, 36" x 39"—Japanese origin, \$64 to \$66 per ream; UK, \$72 to \$73 ream; Italian, \$69 ream. **Prime Glassine:** 30 gr, 26-lb ream, 30" x 40"—German, 1st grade, \$33 ream; French, \$33; Jap, \$31 ream. **Newspaper in Reels:** US, 50/52 gr, 31" x 48c per pound. Chinese, similar specifications 44c per lb; Norwegian, 48c per pound. **Newspaper in Reams:** 31" x 43"—Cont, 50/52 gr, 50-lb ream, \$26 ream; Jap, 50 gr, 48-lb ream, \$22; Chinese, 50 gr, 48/50-lb ream, ordinary

quality, \$21 ream. **M.G. Cap:** 22/23 gr, 17½-lb ream, 25" x 44"—Jap, \$11.30 ream; Chinese, \$8.70 ream. **M.G. Pure Ribbed Kraft:** 35" x 47"—Swedish, 40 gr, 47-lb ream, \$33 ream; Austrian, 40 gr, 47-lb ream, \$32; Jap, 38/39 gr, 45/46-lb ream, \$29.60 ream. **M.G. White Sulphite:** Austrian or Italian, 40 gr, 47-lb ream, 35" x 47", \$32 ream; Czech or Polish, similar quality, \$31.50 ream. **Duplex Board:** 1-side coated: 250 gr, 240-lb ream, 31" x 43"—Swedish, \$144 to \$148 per ream; Czech, \$137; Norwegian, \$142; Jap, \$112 ream. 230 gr, 220-lb ream—Swedish, \$134; Czech, \$126; Austrian, \$128; Norwegian, \$130; Jap, \$100 ream. **Woodfree Printing:** 31" x 43"—European, 60 gr and over, 57/60-lb ream, 79½ per pound; 62/83 gr, 65/80-lb ream, 80c pound; 90/100 gr, 90/100-lb ream, 81c lb. Jap, 60/100 gr, 57/100-lb ream, 68c pound. Chinese, 60/90-lb ream, ordinary quality, 58c pound. **Manifold:** Chinese, 30 gr, 16-lb ream, \$10.50 ream. **Strawboard:** 26" x 31"—Jap, 8 to 16 oz, \$430 per ton; 20/32 oz, \$515 ton. Chinese, 8/16 oz, \$360 to \$380 per ton.

METALS

Mild Steel Angle Bars: Cont or Jap —1/8" x 1" x 1" and 1/8" x 14" x 14", \$44 per picul; 3/16" x 1½" x 18" and 3/16" x 1-3/4" x 1-3/4", \$42; 1/4" x 2" x 2", \$40; 5/16" x 2-1/2" x 2-1/2", \$41 picul. **Mild Steel Flat Bars:** Cont or Jap—1/8" x 5/8" to 1", \$44 picul; 1/4" x 1" to 2", \$42.50 picul. HK—1/8" x 3/4" to 1", \$40 picul; 1/4" x 1/2" to 5/8", \$39; 1/4" x 1-1/4", \$38 picul. **Mild Steel Round Bars:** Cont or Jap—1/2" dia, \$40 picul; 5/8" dia, \$38.50; 1-1/4" dia, \$39; 1-1/2" dia, \$40 picul. HK—5/8" to 1" dia; \$38 picul. **Mild Steel Square Bars:** 5/8" square to 7/8" square, \$44 picul. **Steel Wire Rope:** HK, 24 x 6 x 720'-1-1/4", \$1.50 per lb; 1-3/4", \$1.20; 2", \$1.15; 2½", \$1.05; 2-3/4", 95c per pound. UK, 24 x 6 x 7—1-1/4", \$1.68 pound; 1-3/4", \$1.30; 2-1/2", \$1.08; 3", \$1.05 pound. **Tinplate Waste:** Electrolytic—US, 18" x 24", 1 ton skid, \$85 per case of 200 lbs; UK, similar quality and packing, \$85. Coked—US, 18" x 24", 1 ton skid, \$97 per case of 200 lbs. Misprint—UK, 18" x 24" and larger, \$49 picul. **Blackplate Waste:** UK, 18" x 24" and larger, G29/G33, \$41 picul. **Galvanized Iron Sheets:** Jap, 3' x 7"—USSG 24, 52c per lb; USSG 26, 53c lb. **Black Plate:** Jap, 3' x 6', G24/G26 and G30/G31, \$59 per picul. **Aluminium Sheets:** Japanese, 4' x 8', 99.5% alloy, G22, \$1.87 per pound. Jap, 3' x 8', 99.5% alloy, G20, \$1.85 per lb; G24, \$1.87 lb. **Zinc Boiler Plate:** Cont, 87c per pound. **Zinc Sheets:** Cont, 3' x 8', G6, \$118 per picul; G8, \$120 picul. **Piano Steel Wire:** UK, G6/G10, \$3.10 pound; German, G6/G10, \$2.60 pound. **Brass Scraps:** Salvaged from engine parts, large and medium sizes, \$240 per picul. **Iron Plate Scraps:** Salvaged from ships, 3/8" \$24 .picul; 1/2" and over, \$24 picul.

SINGAPORE SHARE MARKET

A disinclination to buy and some reluctance to sell led to a reduction in activity. Local Industrials had a reasonable turnover but Tins, Rubbers and Overseas Investments had a poor week. However, late in the period there were perceptible signs of returning interest.

Highlight of the week in the Industrial section was the announcement by Robinson & Co. not only of a final dividend of 9% and a bonus of 7½% to make a total of 22½% (the same as last year) but also a special bonus of 10%.

On the publication of the accounts of the Oriental Telephone Co., a London columnist concluded that the "break up" value of the shares was only somewhere in the region of 70/- Consequently, there was an immediate marking down by London jobbers but with the appearance of buyers in that market followed by Singapore bids, shares were taken up to 76/4½ including stamps.

Both London and local demand helped Malayan Cements to \$1.75 buyers, Malayan Collieries, with a holding of 5% of the total issued capital of Malayan Cement, climbed up to 98 cents. The Hammer & Co. 10% interim dividend led to business at \$2.60. Gammons had a fair turnover at \$2.65, Metal Box improved to \$1.45 and Wearne Bros. were steady at \$2.72½. Fraser & Neave were quiet at \$1.70, Singapore Cold Storage active at \$1.67½ and Straits Traders firm at \$23.00.

In the Tin section a small trickle of selling, in the absence of any serious buying, led to some marking down. Petalings came back to \$4.50 sellers.

Hong Fatt to \$1.26, and Taiping Consolidated to \$1.60. Kuala Lumpur were done down to 29/3 cum the 5% capital return and Laruts to 9/-d.

Although the rubber share section had its worst week for some months, a quickening interest was again apparent at the close. Once again, rumours of a take-over caused Changkat Serdang to spiral, closing at \$1.40 buyers.

INDONESIAN TRADE REGULATIONS

The Konsulat Djenderal Republik Indonesia di Hongkong, Seksi Ekonomi, announce the following trade regulation changes:—

With a view to protect the interest of consumers and producers and to ensure improvement in the import into, and export from, and distribution of goods in Indonesia, it has been considered necessary to simplify the existing procedure on the import of goods into Indonesia. Consequently, the Monetary Board of Indonesia in conjunction with the Minister of Economic Affairs and the Foreign Exchange Institute have decided in general as follows:

I. (A) The import system is simplified by Categorising goods to be imported into 4 Categories:

Category 1—essential goods. Category 2—semi-essential goods. Category 3—luxuries. Category 4—extraordinary luxuries.

The additional import payment regulations as existing to date are here-with cancelled. In its place, new additional import payment tariffs are decided as follows:

(i) for Category 1 goods—50%. (ii) for Category 2 goods—100%. (iii) additional import payments for Category 3 and 4 goods, will be sold by tender, the minimum value of which will be decided by the Monetary Board.

Regulations pertaining to Hongkong compensation transactions, Singapore barter with the exception of Riau Archipelago, parallel transaction, foreign exchange free import, and import of goods through the Stock & Supply Department (Jajasan Perbekalan & Persediaan) are herewith cancelled.

II. In connection with importers, it is decided as follows:

(A) Importers which are recognized as such, will be issued exchange permits, provided they can show that the total amount needed for the payment of the goods to be imported, has already been deposited with an exchange bank which amount cannot be used unless for the payment of the goods to be imported.

(B) Non-national importers which are already recognized as such, will be issued exchange permits, provided they can show that an amount of 5 million Rps. has already been deposited with an exchange bank, which amount can only

be used for payments as mentioned in Sub. A.

(C) If importers as mentioned in Sub. A & B have not obtained an exchange permit or did obtain an exchange permit for an amount less than applied for, the amount deposited, as referred to in Sub. A, will be returned wholly or partly pending the amount needed for the payment of the goods to be imported.

The Central Office for Imports and the Stock & Supply Department (Jajasan Perbekalan & Persediaan) herewith ceased to exist.

To carry out the functions of the Central Bureau of Imports, a new Bureau has been formed as part of the Foreign Exchange Institute, and called the Bureau for Commercial Exchange (Biro Deviesen Perdagangan). The regulation will be effected as from September 1st 1955.

Any enquiries should be directed to the Economic Section of the Indonesian Consulate General, attention Mr. D. Rusad.